

# FINANCIAL TIMES

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TOMORROW

World Business Newspaper <http://www.ft.com>

FRIDAY JUNE 13 1997

● The sixth part of our 12-part series, FT Mastering Finance, appears on Monday. Topics include behavioural finance, short-termism and portfolio theory plus the answer to our competition.



## OECD predicts stronger growth in next two years

Economic growth in industrial countries should be stronger this year than at any time since 1989, with only a slight slowdown next year, the Organisation for Economic Co-operation and Development said. Growth in the OECD's 29 member countries should average 3 per cent this year, dropping to 2.7 per cent in 1998, and all should see their economies expand this year, the Paris-based think-tank said in its Economic Outlook. Page 16: Italy to meet Euro criteria, Page 6

**Fall in US retail sales continues:** US retail sales fell in May for the third consecutive month, the Commerce Department said. The drop partly reflected slower sales of costly durables such as cars. Page 8

**Polo Ralph Lauren shares surge:** Shares in US fashion group Polo Ralph Lauren surged, placing it among Wall Street's most successful new issues. Brooklyn-born designer Ralph Lauren's stake is worth some \$1.42bn. Page 17

**Seagate to create 1,000 jobs in Ireland:** US data technology company Seagate Technology is to invest £148m (\$220m) in a factory in the Irish Republic to manufacture computer disc drives. The move will create 1,000 jobs within three years. Page 7

**Johnson Matthey in Japanese deal**



Johnson Matthey shares rose 6 1/4% to 523p after the UK precious metals and engineering group announced a break-through licensing agreement with Kyocera, Japanese manufacturer of micro-processor components. The group also announced annual operating profits up from £111m to £116.3m. Chief operating officer Chris Clark (above) highlighted the precious metals division, where profits rose even though falling prices cut sales revenue. Page 17: Results, Page 22

**Ford backs UK welfare-to-work:** Ford has backed the UK government's welfare-to-work programme after its board met British prime minister Tony Blair. Ford also announced a £40m (\$65.2m) investment at its Enfield components plant in north London. Page 10

**Red chip index launched:** Red chips, the Chinese mainland-backed companies that have attracted a large following in the final months of British rule in Hong Kong, will be tracked by their own index from next week. Page 17

**Debt problems spread to Vietcombank:** Vietnam's bad debt problems have spread to the country's largest state-owned bank. Vietcombank has refused to pay foreign banks money owed under letters of credit from two companies based in Ho Chi Minh City. Page 16

**Mideast peace hopes rise:** The Egyptian president's political adviser, Osama el-Baz, met Israeli and Palestinian leaders amid cautious optimism that the two sides were moving back towards negotiations. Page 6

**Gazprom seeks up to \$3bn:** Dresdner Kleinwort Benson and Credit Lyonnais are expected to win a mandate to raise \$3bn-\$4bn for Gazprom, Russia's politically embattled natural gas monopoly. Page 17

**Laptop users brought down to earth:** Passengers using laptop computers or mobile telephones aboard aircraft could in future face imprisonment or a fine under plans approved by the German cabinet. The proposed law is the first banning the use of such equipment with the penalty of imprisonment. Page 9

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STOCK MARKET INDICES		GOLD	
New York: Dow Jones Ind. Av.	7657.30 (+51.47)	New York: Comex	\$341.2 (+24.8)
NASDAQ Composite	1407.25 (+10.59)	London:	
Europe and Far East:		Gold 999.5	\$342.55 (+24.05)
CAC40	2760.27 (+64.03)	DAX	3707.90 (+30.58)
DAX	3707.90 (+30.58)	FTSE 100	4757.4 (+32.6)
FTSE 100	4757.4 (+32.6)	Nikkei	20,564.46 (+274.53)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	5.25%	New York: London:	
3-mth T-bill	4.947%	£	1.6345
Long Bond	5.6%	DM	1.72945
Yield	5.769%	FF	5.5255
OTHER RATES		SPY	1.44115
UK: 3-mth Interbank	5.25% (same)	Y	114.15
UK: 10 yr Govt	107.13 (107)	London:	
France: 10 yr Govt	98.90 (98.37)	£	1.6345 (1.6377)
Germany: 10 yr Bond	102.00 (101.50)	DM	1.7294 (1.7145)
Japan: 10 yr JGB	103.924 (104.140)	FF	5.5255 (5.7385)
NORTH SEA OIL (Argus)		SPY	1.4433 (1.4385)
Brent Dated	\$16.50 (17.04)	Y	113.94 (111.345)
WTI	\$16.50 (17.04)	Tokyo close:	¥ 114.00

NORTH SEA OIL (Argus)		STERLING	
Brent Dated	\$16.50 (17.04)	£	2.8194 (2.8177)
WTI	\$16.50 (17.04)		

New chief announces shake-up of household appliances supplier

## Electrolux cuts 12,000 jobs

By Greg Mcivor in Stockholm

Electrolux of Sweden, the world's largest supplier of household appliances, is to cut 11 per cent of its workforce in a sweeping restructuring announced yesterday by Mr Michael Treschow, its new chief executive.

Mr Treschow, who took over last month when Mr Leif Johansson moved to Volvo, said the measures - which will cost SKr2.5bn (\$321 million) - were necessary to raise profitability and shareholders' returns to targeted levels.

Electrolux, Sweden's biggest private-sector employer with a workforce of 105,000 worldwide, is shedding 12,000 jobs and is to shut 25 plants and 50 warehouses within two years. The group's most-traded B shares soared SKr63, or 14 per cent, to an all-time high of SKr529 as investors welcomed the prospect of restructuring gains.

"A shake-up has been overdue and people are very happy to see it has happened," said Mr Colin Gibson, analyst at UBS in London. "It looks much more comprehensive than anyone dared hope."

Mr Treschow did not directly criticise his predecessor, although he said it was rapidly apparent on joining the group that restructuring was essential. The group's "complex" corporate management structure is also being streamlined.

"In the past we have been more criticised for failing to deliver sufficient profitability.



Michael Treschow, left, and Johan Bygge, Electrolux economy chief, announcing the job cuts yesterday

Picture: AP

If we don't deliver that we can't create pride in our business," he said.

Under Mr Johansson, Electrolux consistently failed to meet its target of a 6.5-7 per cent operating margin and 15 per cent return on equity. The margin last year was 4 per cent, while return on equity was 8.7 per cent.

In his previous job as chief executive of Atlas Copco, the Swedish engineering group, Mr Treschow managed suc-

cessively to lift margins. He stressed Electrolux was not withdrawing from any operations, but was seeking to concentrate its production and improve capacity utilisation.

He did not say how much the company would save, only that it would be "substantially higher" than the SKr2.5bn restructuring charge. This sum is to be booked in Electrolux's second-quarter accounts and will be offset by a SKr800m capital gain from the disposal

of the Husqvarna sewing machines division.

Electrolux said it had yet to decide the geographical spread of the rationalisation package, one of the biggest ever undertaken by a Scandinavian corporation. It has 150 factories, of which 95 are in Europe (with 25 in Sweden) and 33 in North America.

Mr Treschow did signal, however, that particular attention would be paid to the least profitable units. The commercial

appliances side, which supplies appliances for industrial users, showed the weakest earnings last year, followed by white goods operations.

Electrolux has been hit hard by weakness in its white goods operations in its main European market since late 1995 and also in the US, where its Frigidaire brand has struggled.

Imm policies hit white goods sales, Page 7  
Lex, Page 16

## Japanese plan commissions reform

By Gillian Tett in Tokyo

Move expected to hurt weaker brokers

Japan will liberalise brokerage commissions fully within two years as part of its "big bang" financial deregulation.

According to proposals due to be published today, commissions on transactions above ¥50m (\$435,000) will be liberalised as early as April.

The move is expected to hurt many weaker brokers and could trigger broader change in Tokyo's markets.

A similar abolition of fixed commissions in London in the mid-1980s and in New York 10 years earlier led to wide-ranging consolidation in the securities industry.

Other reform recommendations are also being issued today by three government-backed advisory panels.

The proposals, which cover the banking, insurance and

securities industries, and which the government is broadly committed to accept, provide the first blueprint for Japan's big bang programme.

The proposals are in line with a pledge by Mr Ryutaro Hashimoto, the prime minister, to deregulate financial markets before 2001 and call for the removal of barriers between the different sectors of Tokyo's financial markets.

They may disappoint those pressing for fast reform, however. Although banks want early permission to market insurance products, today's proposals will delay this for years.

In other areas the proposed changes are swifter than many had expected. As early as

next year, it is suggested, securities companies would be allowed to offer customers bank-style accounts, and banks to underwrite some securities.

Similarly, the relatively early abolition of fixed brokerage commissions has pleased those pushing for radical reform. The move has been vehemently opposed by Japan's ailing smaller securities companies, which fear a loss of business.

Commissions on transactions over ¥10m have already been liberalised. Until now, however, the price of other commissions have been fixed at some of the highest rates in the world. Although the liberalisation

of commissions over ¥50m next year is expected to affect mainly medium and large brokers, the industry expects the full programme will eventually cut institutional commissions in half, and retail commissions by 20 per cent.

Mr David Richards, of Goldman Sachs in Tokyo, predicts this will reduce brokerage revenues by at least 10 per cent across the sector, with much larger losses at smaller brokers.

"This will speed restructuring of the sector, and could lead to smaller companies leaving the industry," said Mr Richards. The changes are expected to benefit companies, including foreign firms, who are now seeking to expand in Tokyo as well as cutting the cost of commissions for fund managers operating in Tokyo.

Mr Clifford Shaw, chairman of Mercury Asset Management in Tokyo, said: "From our point of view, more competition is good. We expect a cut in costs of about 50 per cent."

Continued on Page 16

Breaking mould, Page 18

Editorial comment, Page 15

## Thoman leaves IBM to become Xerox president

By Richard Waters in New York and Louise Kehoe in San Francisco

Mr Richard Thoman, chief financial officer of International Business Machines, has resigned to join Xerox. He will become president and chief operating officer and be in line for the chief executive's post.

In his two years as chief financial officer at IBM, Mr Thoman had much to do with the company's renewed popularity on Wall Street.

His easy-going style proved popular with financial analysts and was credited with clarifying IBM's finances and restructuring its international operations.

Xerox shares rose by 4 per cent during the morning. IBM, however, was down slightly from Wednesday's close of \$97 1/8 at \$96 3/8. Mr Thoman's departure left a gap in the top executive ranks that may be difficult to fill, analysts said.

The move was also seen as a blow to Mr Lou Gerstner, IBM

chairman, who brought Mr Thoman with him to the computer company four years ago. Until now, the careers of Mr Gerstner and Mr Thoman have been closely linked. The two worked together at McKinsey, the management consultancy, then moved to American Express and RJR Nabisco before arriving to sort out a struggling IBM. In a brief memo to IBM employees, Mr Gerstner yesterday wished his long-time colleague well.

"I have known and worked with Rick for many years," said Mr Gerstner. "He has always wanted at some point to run his own company and feels that this is the right opportunity for him." Mr Thoman, asked yesterday whether this would mark his last career move, said: "I certainly hope so."

Mr Thoman refused to comment on Mr Gerstner's plans at IBM, but said: "I wanted to run a world-class company... and I wasn't sure how likely that would be at IBM."

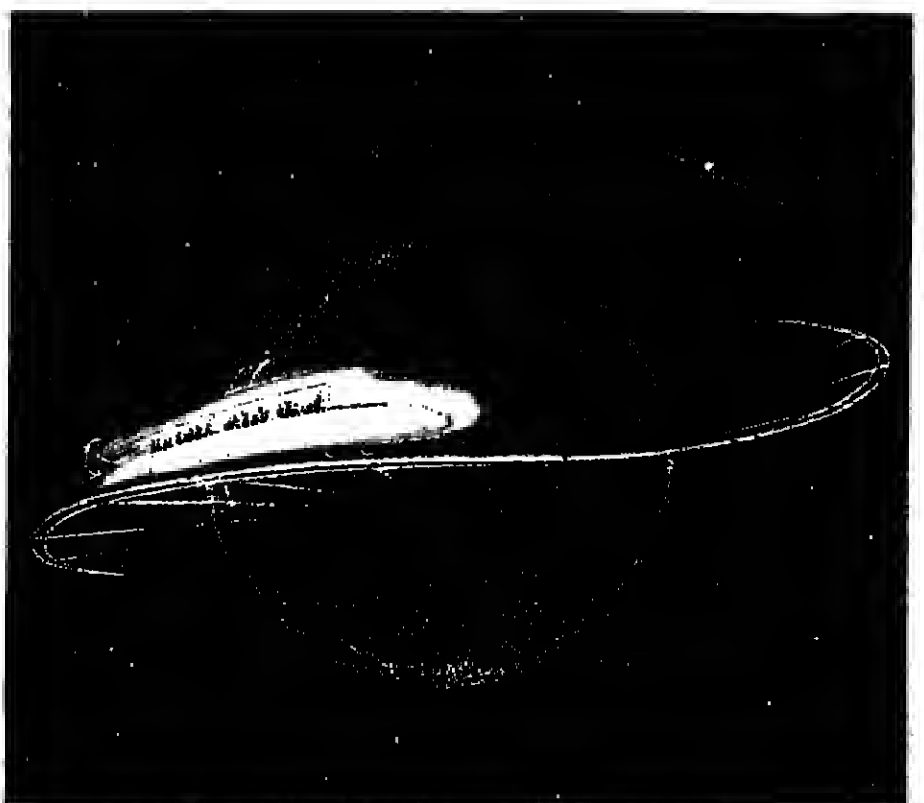
He is joining Xerox as the company struggles to wean itself from its biggest product line - traditional black and white photocopiers.

Xerox also plans fast overseas growth - an area in which Mr Thoman's experience in reorganising IBM's international operations would help, said Mr Paul Allaire, Xerox chief executive and chairman.

Mr Thoman will take over the company's day-to-day operations at the beginning of next month, leaving Mr Allaire responsible for strategy and governance issues.

Mr Allaire said he planned to stay at Xerox "a couple of years past" his 60th birthday, in July 1998, and that the intention was for Mr Thoman to succeed him.

At IBM, Mr Thoman's job will be filled on an interim basis by Mr Larry Riccardi, who will continue to be responsible for the company's legal, government and intellectual property issues.



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## NEWS: EUROPE

Jospin to meet Kohl today as government thrashes out ways to ensure priority for jobs

## France at sea over stability pact

By David Suchan in Paris

France goes into today's bilateral summit with Germany in a state of confusion over the stability pact that is to govern the European single currency, with the new leftwing government still thrashing around for ways to ensure priority for jobs.

Indeed, France may not reach a unified position to present to its partners at next week's European Union summit in Amsterdam until Mr Lionel Jospin, the new Socialist prime minister, and

President Jacques Chirac meet over the weekend to discuss the outcome of their talks at Potters with Chancellor Helmut Kohl.

"We are advancing," Mr Jospin told reporters yesterday after he met Mr Jacques Santer, European Commission president, in Paris. He said that his new government's determination that Europe's planned economic and monetary union should promote employment "concerns not just France, but all European countries" and that "these preoccupations

have been understood".

The visit to Paris by Mr Santer and Mr Yves-Thibault de Silguy, monetary affairs commissioner, helped clarify the way in which the rest of the EU might meet the Jospin government's concerns. These include reinforcing a new treaty section on employment and social policy, and a summit resolution on what can be done within the Maastricht treaty to ensure macroeconomic co-ordination between governments promotes jobs.

"There is no need to modify the treaty," insisted a Jospin aide, who suggested that some kind of legal text might follow later in the year from any resolution agreed at Amsterdam.

But the negotiations were not directly advanced by the visit of Mr Santer, who according to French officials has been told by the Netherlands to channel all his proposals through the Dutch EU presidency. Mr Santer also met Mr Chirac yesterday, but did not discuss details, partly because the French president said he did not want to get intimately involved - except to stress that he wants the stability pact agreed at Amsterdam.

President Chirac's aloof attitude, in the first serious international test of his cohabitation with the leftwing government, was underscored by his spokeswoman yesterday. "The president regards the [Jospin] government's demands as justified," she said. But "it is up to the government to conduct these negotiations" with France's partners. "The president does not wish to

take the place of the government - his role is to help in the search for a solution."

This presents a confusing situation today for Mr Kohl. In Potters he will first meet Mr Chirac, and then hold separate talks with Mr Jospin. The three men will only meet together for a brief plenary session and for a press conference. Elysée aides were last night unclear about what stance Mr Jospin would take today, while the latter's officials were mostly too busy refining their position to answer inquiries.

## Industry fears barrier to entry of goods

By Emma Tucker in Brussels

European industry leaders fear that the single market could be fragmented by a proposed amendment to the EU treaty which would make it easier for governments to stop goods entering their countries on environmental grounds.

Unice, the European employers' federation, says the planned amendment - likely to be agreed by heads of government at Amsterdam next week - would send exactly the wrong signal at a time when EU leaders want to make completion of the single market a

priority. "This treaty amendment would open the door to the introduction of new restrictions to the free movement of goods, posing a grave threat to the integrity of the single market," said Unice.

The proposed change, tabled by the Dutch government, would allow member states to introduce new national provisions for protecting the environment, even if they discriminate against goods from other member states.

However, officials drafting the treaty say Unice's concerns are exaggerated as member states would have to justify their actions

on scientific grounds. Further, they would have to notify the European Commission, which will have six months to approve or reject the provisions.

The Dutch argue that these conditions will ensure that member states do not use the amendment to erect protectionist barriers. But Unice is suspicious and points out that there has been a growing tendency among states to use environmental legislation to protect domestic industries over the past few years.

Mineral water and wine producers in countries such as France,

Italy and Belgium are particularly aggrieved. They have found it difficult to sell their products in Germany because of a national packaging decree which reserves 72 per cent of the German drinks market for goods in refillable packages.

This discriminates against drinks manufacturers from outside Germany who have to transport the empty bottles over greater distances.

They prefer to export drinks in what is known as "single trip" recyclable packaging.

Critics say the measures both protect the German bottling indus-

try and breach Article 30 of the EU treaty, which provides for the free movement of goods. The Commission is seeking a compromise with Germany on the issue.

Although France, Italy, Spain, Portugal, Greece and Belgium originally opposed the amendment, it is likely to win full approval for inclusion at the treaty, during next week's summit.

The Commission, which has some reservations about the change, generally believes that there are enough safeguards in the amendment to ensure that it is not abused.

## West European new car registrations January-May 1997

	Volume (thous.)	% Change (Jan-May 97)	Share (%)	Share (%)
<b>TOTAL MARKET</b>	<b>5,885,100</b>	<b>+0.3</b>	<b>100.0</b>	<b>100.0</b>
<b>MANUFACTURERS:</b>				
Volkswagen group	1,018,084	+1.8	17.4	17.1
- Volkswagen	635,710	+3.9	10.8	11.3
- Audi	203,080	+3.5	3.5	3.1
- Seat	179,294	+7.1	3.0	2.2
- Skoda	44,045	+31.6	0.8	0.6
Fiat group	737,287	+4.8	12.5	11.8
- Fiat	606,044	+10.3	10.4	8.4
- Lancia	74,215	+5.1	1.3	1.4
- Alfa Romeo	55,028	+8.2	1.0	1.0
General Motors	718,882	+4.3	12.2	12.9
- Opel/Vauxhall	689,084	+4.4	11.8	12.4
- Saab	29,800	+7.7	0.5	0.4
Ford group	627,843	+2.9	10.7	10.9
- Ford	540,383	+2.2	9.2	11.9
- Jaguar	7,960	+28.8	0.1	0.1
PSA Peugeot Citroën	645,085	+8.0	11.0	11.8
- Peugeot	371,591	+1.1	6.3	7.0
- Citroën	273,504	+14.7	4.7	4.8
Renault	689,080	+1.6	11.7	8.8
BMW group	380,954	+2.1	6.5	5.8
- BMW	187,886	+1.7	3.2	3.2
- Rover	163,268	+2.5	2.8	2.7
Mercedes-Benz	256,948	+0.8	4.4	3.8
Volvo	104,315	+28.2	1.8	1.4
Nissan	171,882	+5.8	2.9	2.8
Toyota	160,955	+9.1	2.7	2.5
Honda	91,887	+3.9	1.6	1.5
Mitsubishi	82,125	+3.6	1.4	1.4
Subaru	74,781	+3.6	1.3	1.2
Total Japanese	670,032	+7.0	11.4	13.7
Total Korean	111,041	+4.1	1.9	1.8
<b>MARKETS:</b>				
Germany	1,514,900	+4.9	25.8	27.3
Italy	1,088,800	+27.9	18.5	14.6
United Kingdom	802,500	+3.0	13.6	14.7
France	691,781	+2.6	11.8	13.3
Spain	417,100	+8.0	7.1	8.6

\*VW holds 50 per cent and management control of Skoda.  
\*Includes cars imported from the UK and sold in western Europe.  
\*Data refers to 50 per cent and management control of Seat Automobile.  
\*All figures exclude Ireland, Malta, Portugal, Romania, Poland and Slovenia.  
\*Source: 1.200 European Automobile Manufacturers Association estimates. Figures are rounded.

## New car sales down by 1.9%

By Heli Simonian, Motor Industry Correspondent

New car sales in western Europe slipped by 1.9 per cent to 1.58m last month compared with a year ago, confirming the relative weakness of registrations this year, in spite of spectacular growth in the big Italian market.

Sales of new cars in Italy soared by more than 45 per cent in May, compared with the previous year, on the back of a government sales incentive scheme. The scheme, which offers substantial cash incentives to motorists trading in older vehicles, has lifted registrations by almost 28 per cent

in the first five months of this year compared with 1996. That has turned Italy into Europe's second biggest market this year behind Germany and pushed the Fiat group into second place in the manufacturers' sales league in Europe.

In contrast, the French market continued its slump after the termination of the government's incentive programme last year. Registrations fell by more than 23 per cent in May, countering optimism earlier this year that the worst of the downturn was over. New car sales in the first five months fell by almost 23 per cent.

Sales also fell sharply in Germany, amid concern about high unemployment and economic difficulties. Registrations fell by almost 13 per cent to 295,000 in May, while sales in the first five months dropped by nearly 5 per cent to 1.5m.

Contrasting figures affected national brands accordingly: Peugeot-Citroën and Renault of France suffered a further fall in sales, although both managed to compensate partly for their weak home market with higher exports. Ford and General Motors continued to lose ground, while Volkswagen continued to consolidate, in spite of weaker registrations for the core VW brand. VW has been affected by declining demand for its mainstream Golf model ahead of its replacement later this year.

Korean brands, which, unusually, fell by 4.5 per cent year on year in April, returned to their upward trend with a 6.3 per cent rise in May, taking the increase in sales for the first five months of this year to 4.1 per cent.

## President's men square up for showdown with duma

Yeltsin to pull no punches over budget, tax and regional compliance

President Boris Yeltsin has always been proud of the pugnacious streak in his character, delighting in confrontation even as a rebellious teenager in Stalin's Soviet Union. Now that he has rebounded from illnesses that forced him into political seclusion for the second half of last year, the Russian leader seems again determined to make conflict his style of governance.

Backed by an equally battle-loving team of young reformers, the Kremlin has picked fights over the past few weeks with all other significant branches of political power in Russia.

Thus Kremlin officials have threatened to dissolve the communist-dominated parliament if it fails to pass a belt-tightening budget and the first reading of the tax code before its summer recess after this month.

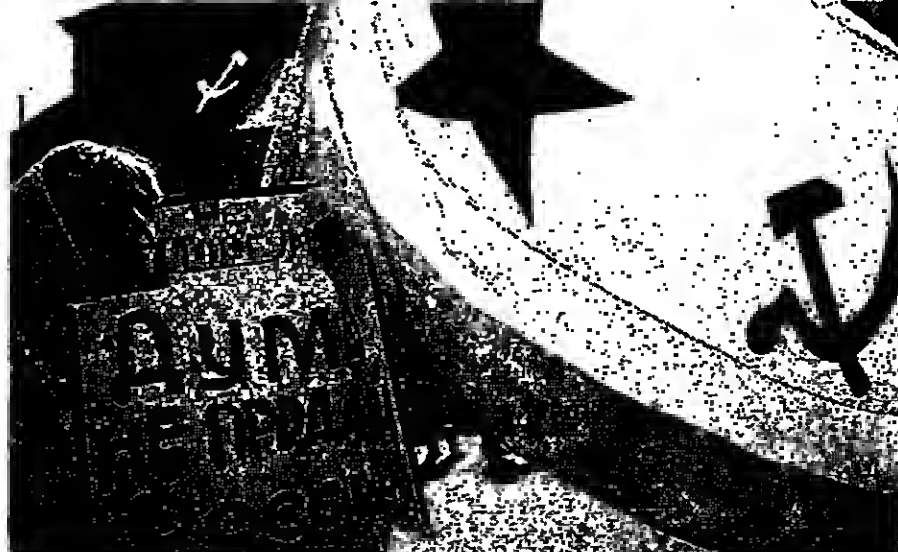
The president's men have also set themselves on a collision course with Russia's powerful, elected regional governors, warning that they may sack the high-profile chief of the far eastern province unless he toes Moscow's line.

Mr Yeltsin and his reform ministers have even begun to fire warning shots in the direction of Mr Viktor Chernomyrdin, prime minister and patron of Russia's influential oil and gas lobby.

But the main battle is with Mr Yeltsin's familiar adversary, the left-leaning duma, the lower house of the Russian parliament. Constrained by a 95 per cent shortfall in planned tax revenue, the government is seeking parliamentary approval for an austere mini-budget.

Although the cabinet can make its proposed cuts even without the duma's backing, if it acts unilaterally the government risks being attacked grossly departed from the 1997 budget.

However, MPs, who this week postponed a decision on the issue until June 13, just a few days before their



A Communist supporter protests in Moscow's Tverskaya Square against Russian Independence Day (yesterday), which marks parliament's decision six years ago to proclaim Russian an independent republic. The sign reads: "Duma, don't sell Russia!"

summer recess, are banking, in part because just a few months ago the Kremlin pressed them into backing the now untenable 1997 budget.

"Three months ago the government told everyone they had to pass the 1997 budget, they said it was wonderful," explains Mr Grigory Yavlinsky, leader of Yabloko, the largest liberal faction in parliament.

"Now they are coming back and saying, that was a bad budget, we need a new one. Especially for the Communists, that is very hard to swallow."

Pressure is also building over a new tax code - a vital part of the Kremlin's efforts to revive Russia's struggling enterprises - which the government is trying to push through in a first reading before the end of June. But on this issue as well, the government's haste has alienated some pro-reform legislators.

"The political pressure which Chubais [Anatoly Chubais, the first deputy prime minister and a leading architect of Russian reforms] is applying on the duma is a very serious mistake,"

argues Mr Mikhail Zadornov, chairman of the parliamentary budget commission. "It is catering to short-term political needs rather than long-term economic ones. If we pass the budget in a hurry, we could end up with a worse tax code than the one we have now."

But the government's aggressive new reform squad is unapologetic. "The president will put the issue very starkly to the parliament," a senior finance ministry official predicted. "Either the parliament passes the tax code and the new budget or it will be dissolved."

The Kremlin is also taking a harsher tack in its relations with Russia's regional governors, whose independence was increased by a marathon of local elections last year.

In a case clearly intended as a lesson for the rest of Russia, Moscow this week warned Mr Yevgeny Nazdratenko, the popular governor of the far eastern Primorsky region, that he would be sacked unless he followed the central government's orders.

Even Mr Chernomyrdin,

Russia's solid prime minister, is not safe. This week Mr Yeltsin publicly described his performance last year - before the arrival of the young reformers - as "stagnant". This humiliating verdict, broadcast on national television, has set off a barrage of rumours that the premier could be on the verge of dismissal.

The three-pronged offensive is the work of a supremely confident executive, certain of his authority and direction. However, some observers are starting to warn that the Kremlin's young reformers may be guilty of hubris.

"Increasingly, I fear that the Chubais team is becoming intoxicated by its own power," observes Mr Andrei Piontkovsky, director of the Moscow Strategic Studies Centre.

"Yeltsin and the Yeltsin family are currently under their influence, so the young reformers have begun to overrate their own power. They should remember that, if things go wrong, Yeltsin will turn on them without a second thought."

Christina Freeland

## EUROPEAN NEWS DIGEST

## US picks its Nato entrants

The US yesterday said it would back only three countries - Poland, the Czech Republic and Hungary - to join Nato in the first wave of expansion. The decision will disappoint Slovenia and Romania, the other front-runners. However, Mr Mike McCurry, the White House spokesman, said those two countries "were clearly on track" to join the alliance.

Slovenia has had support from the US military and influential politicians such as Senator William Roth, co-chairman of a committee guiding enlargement through the US legislature. Romania has been strongly backed by France.

US officials have argued, however, that a relatively small first wave of expansion - to be formally announced at a summit in Madrid next month, and probably completed by April 1999 - should lend plausibility to their promise that others will follow. This will reassure the Baltic states, which have lobbied strongly for membership but were ruled out of the first wave, against a background of strong Russian objection.

By announcing a relatively modest expansion plan yesterday, instead of waiting until the Madrid conference, the administration will help ensure a smooth atmosphere when President Bill Clinton meets western leaders in Denver, Colorado next week. Bruce Clark, Washington

## Former Rumasa chief cleared

Fourteen years of efforts to prove criminal responsibility in the running of Spain's former Rumasa business empire came to nothing yesterday when a Madrid court acquitted the group's mercurial founder, Mr José María Ruiz-Mateos, and four colleagues.

After repeated delays, the 66-year-old businessman was tried in February on two charges of falsification, for which he was extradited from Germany in 1985. Prosecutors were seeking a 12-year jail sentence, but had earlier considered withdrawing the charges because of doubts about their validity under Spain's new legal code.

Rumasa, at the time Spain's largest holding company, was expropriated by the government in 1983 to avoid a looming financial crisis. The subsequent cost to the taxpayer of relocating former Rumasa companies, from banks to department stores, has been estimated at Ptas690bn (\$4.7bn). Mr Ruiz-Mateos, who stayed off trial by launching a brief career as a Euro-MP, has since built up a new international conglomerate in food, construction, property and hotels. His son, representing him, said the acquittal was "a big thing", but still left open the question of compensation. David White, Madrid

## Biggest solar plant for Crete

The Greek government is planning to build the world's largest solar power station on Crete. Electricity demand on the island is rising at around 8 per cent yearly, twice the Greek average, because of a boom in tourism and increased irrigation of crops. However, islanders have fiercely resisted a planned 150MW diesel-fired power station. The aim with the solar station is to start with 5MW generating capacity and build up to 50MW by the year 2000. The largest existing plant is a 3.5MW facility in Italy.

The solar station will eventually supply 100,000 people on the island at a cost of 8.5 US cents a kilowatt, less than conventional electricity supply on the island. The \$17.7m project will be 55 per cent funded by the Greek government and the European Commission, and the rest by Euron Solar, which is supplying the plant. Leyla Boulton, London and Kerin Hope, Athens

## Bonn's bank stance attacked

The Bonn government's plan to guarantee the special status of Germany's publicly owned banks in a protocol to the European Union treaty came under fire yesterday from the economics ministry's advisory panel of academic economists. Mr Manfred Neumann, the panel chairman, warned that it would create a new area of exemptions from the treaty and could be a dangerous precedent that undermined the integrational character of EU law.

The panel threw its weight behind Germany's private sector banks which believe the publicly owned wholesale and savings banks enjoy an unfair competitive advantage because they are guaranteed by state or local governments. It said such guarantees constituted a subsidy.

However, despite its advice not to pursue a special protocol at the EU's Amsterdam summit next week, the government is to go ahead. Peter Norman, Bonn

## Boost for German revenues

The German government could boost federal revenues this year by at least DM15bn (\$7.5bn) more than originally planned through an accelerated privatisation programme - including the sale of surplus crude oil reserves - Mr Günter Rexrodt, the economics minister, has indicated. A minimum of DM10bn could be raised by "parking" a stake in Deutsche Telekom with the Kreditanstalt für Wiederaufbau, Germany's publicly owned development bank. Another DM15bn from Deutsche Telekom could follow in 1998, he said. Ralph Atkins, Bonn

The Bundesbank expressed confidence yesterday that its dispute with the government over revaluing gold and currency reserves to help Germany qualify for European monetary union would be solved in a way that met its objections. These were stated forcefully two weeks ago, after which Mr Theo Waigel, the finance minister, backed down. The central bank said it saw "good chances" for a satisfactory solution. Andreas Fisher, Frankfurt

## ECONOMIC WATCH

## Swiss growth recovers

Switzerland's economy grew at a seasonally adjusted rate of 0.3 per cent in the first three months of 1997 compared with the fourth quarter of 1996, the first quarterly rise in two years, the Federal Office for Economic Policy said yesterday. However, against the first quarter of 1996, gross domestic product fell by 1 per cent. The Organisation for Economic Co-operation and Development said yesterday in its annual review that the Swiss economy was likely to recover this year and next after six years of stagnation, but renewed appreciation of the Swiss franc caused by concern about the planned European single currency could impede recovery. GDP should grow by 0.8 per cent in 1997 and 1.6 per cent in 1998 after a 0.7 per cent decline in 1996, the OECD said.

Swedish consumer prices were unchanged in May from April, and up 0.3 per cent from a year earlier. Dutch industrial output rose a provisional 3.3 per cent in April from a year earlier before seasonal adjustments, but fell 2.6 per cent after adjustments compared to March. German corporate insolvencies in March rose 1.8 per cent to 2,168 from a year earlier. In the first quarter, insolvencies rose 3.7 per cent to 6,437 compared with the previous quarter.

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NEWS: EUROPE

# Ciorbea aims to move mountains

Reform efforts of Romania's PM have won praise abroad but he must sell them at home, write Kevin Done and Anatol Lieven

Mr Victor Ciorbea and his reformist Romanian government could be compared to the legendary Sisyphus, forever pushing his rock uphill. The rock in this case is the Romanian bureaucracy, with its links to entrenched economic interests from the old Communist *nomenklatura*.

But the prime minister insists the comparison is not apt. "Our task may be difficult, but our achievements are irreversible. There can be no going back to the situation as it was before."

Mr Ciorbea's thin, pale, rather haggard face bears witness to the immensity of the task he has assumed in trying to push through the economic reform programme since his election victory last November over the post-Communist administration of Mr Ion Iliescu.

Like President Emil Constantinescu, Mr Ciorbea frequently looks desperately tired. This is no surprise given that cabinet meetings sometimes last for up to 11 hours as the prime minister and his colleagues wrestle personally with details which, with more professional and committed administrative support, could well be left to underlings. His latest discussions with the World Bank lasted until after midnight.

The Romanian government has finally decided how it will regulate foreign portfolio investment, writes Anatol Lieven in Bucharest. All foreign investments, whether in shares or government and other bonds, will be subject to a transaction fee of 1.5 per cent, analogous to stamp duty. There will be no capital gains tax or other tax on repatriated profits.

The new law, to be cast as an emergency decree, will come into force when published in the official gazette, probably next week, but has to be confirmed by parliament later. An earlier draft would have imposed a basic 4 per cent tax on repatriated profits, rising steeply if these were taken out before one year had elapsed. That draft was strongly criticised by western businessmen.

His attention to detail is impressive. In an interview with the FT, he methodically went down the list of bankrupt state companies scheduled for liquidation, describing in each case the number of workers who had already been made redundant, and the assets that had been sold.

The individuals at the top of the new government have won high praise from western diplomats and observers, for honesty as well as hard work. In the words of one investment fund representative: "We have heard no stories about corruption among these people, none at all. That is something new and tremendously positive here in Romania."

But a banker added: "They are sitting on top of a mass of bureaucrats who are often lazy, ignorant and corrupt, even when they are not

actively hostile to change."

As a former trade union leader, Mr Ciorbea understands the harshness of the sacrifices he is asking the Romanian people to accept as a result of economic reform. By his own estimate, average real wages have dropped by some 20 per cent since his government came to power. However, he says, it is not difficult for him to negotiate with former union colleagues, "because I know both the real economic situation and what ordinary workers really want".

Mr Ciorbea does not think therefore that present limited labour protests will spread. "Romanian citizens understand very clearly the economic situation which we inherited, and that reform is the only solution. The alternative would be to follow some of our neighbours into economic decline. We also

have the advantage that, for seven years, people here have been able to see what comes from non-reform or delayed reform."

He says his government will begin far-reaching privatisation this year, and is prepared to sell "99.9 per cent" stakes in Romanian banks and large companies to foreign buyers. "Foreign investment is vital if we are to overcome the crisis, and we are not going to be deterred by shouts that we are selling the country. There has been far too much of that kind of talk over the past seven years."

To limit public suffering, the government - with help from a social protection loan from the World Bank - has increased welfare spending by some 30 per cent, to around 10.4 per cent of gross domestic product. This includes increasing child allowances five times over.

"So we have a very liberal economic programme, but accompanied by a very strong social dimension".

Deep cuts in industrial and agricultural subsidies mean, however, that the government is still apparently on target to meet its pledge to the World Bank and International Monetary Fund to reduce the budget deficit to 4.5 per cent of GDP this year from 8.4 per cent last year, if extra-budgetary



Romanian PM Victor Ciorbea: 'Our task may be difficult, but our achievements are irreversible'

subsidies are included.

The government has won great praise from international financial institutions for its macroeconomic reforms, which have closely followed IMF and World Bank advice. A western diplomat, however, sounded a note of caution.

"They had pretty successful macroeconomic packages under the former regime; it's

something the Romanians seem to be good at. The problem was that they didn't last, because they weren't accompanied by structural reform and privatisation. This new government is fantastically committed to real reform, but reform here is fantastically difficult. Ciorbea is a hard worker, but he can't do the work of every official in every ministry."

# Rome cabinet at odds over future of Iri

By Robert Graham in Rome

The Italian government is due to decide today whether to continue with the current management team at Iri, the large state holding company. At stake is not simply the management of Iri but its role in the Italian economy as the government seeks to privatise and slim the state sector.

Over the past two weeks sharply differing positions have emerged within the government on whether to extend the mandate of Mr Michele Tedeschi, the head of Iri, and that of the board. The treasury, which with the industry ministry is Iri's shareholder, is anxious to bring in new blood to act as a sort of liquidator, with a brief to accelerate the sale of the state holding's assets.

Last December, when the treasury forcibly acquired Iri's majority stakes in the telecoms group Stet, it was made clear that the holding company's powerful patronage was being clipped. Since then, Mr Carlo Azeglio Ciampi, the treasury minister, has repeated on several occasions his view that Iri's days are numbered.

However, the political parties backing the government, as well as Mr Romano Prodi, the prime minister, are more ambiguous about Iri. The left has no wish to see it disappear and is even proposing a new role for it, promoting economic development in the south of the country. At a time of high unemployment, the left is concerned that liquidating Iri will mean more job losses.

Mr Prodi in particular faces a conflict of interest because he has headed Iri on two separate occasions, running the company for a total of eight years. Mr Tedeschi, who has spent his career inside Iri companies, is well known to him.

The conflict of interest is even greater if the position of Mr Enrico Michele, the head of the cabinet office, is considered. He was recruited by Mr Prodi when the latter became premier in May 1995. He was then managing director of Iri under Mr Tedeschi - a post from which he is technically on secondment and which has been left vacant.

Officials in the treasury feel the current team has been too dilatory in investment and has instinctively tried to hang on to assets that range from aviation (Alitalia) and banking (Banca di Roma) to motorways (Autostrade) and the high-technology industrial empire of Finmeccanica.

Iri twice failed to meet the deadline set by the European Union under a 1993 agreement to reduce its indebtedness.

Net debt at the end of 1996 was L9,400bn (\$5.5bn) against a target of around L5,000bn agreed with Brussels, and a new deadline expires at the end of the month with Iri still off target since the sale of Autostrade has slipped.

The treasury has proposed replacing Mr Tedeschi with Mr Paolo Baratta, an economist, banker and a minister in previous governments. But his appointment has run into opposition from the prime minister's office.

One possible compromise is for Mr Tedeschi to be retained but on a shorter mandate, with much reduced authority. This would probably mean appointing a new managing director, Mr Piero Gnudi, an Iri board member from Mr Prodi's Bologna home base, has been suggested in this context.

Retaining Mr Tedeschi, appointed under the right-wing government of Mr Silvio Berlusconi in 1994, would also head off criticism from the opposition that the government is stacking the public sector with its own appointees.

# Use your laptop in flight and land in jail

By Ralph Atkins in Bonn

Passengers using laptop computers or mobile telephones during an air trip could in future face imprisonment or a fine under plans approved by the German cabinet.

The proposed legislation - believed to be the first in the world specifically banning the use of such equipment with the penalty of imprisonment - would tighten existing rules significantly. According to Mr Matthias Wissmann, transport minister, it would improve already high security standards for air travel.

The measures would also cover CD and cassette players and other equipment which could interfere with on-board electrical systems. Offenders could face fines or up to two years in jail.

Industry observers were sceptical whether other countries might follow Germany's example. They pointed to the difficulties in implementing such regulations beyond national boundaries and to the general powers already available to international aircrews to deal with disruptive travellers.

However, the Bonn govern-

ment's legislative proposals would make clear that German air traffic regulations could also have force outside the national jurisdiction.

The transport ministry said the measures, which have to be approved by parliament, were not prompted by a specific incident but by concern among pilots about the effect of electronic items on, for instance, aircraft navigation systems.

The proposals appeared to take the German air industry by surprise. Lufthansa, the national airline which is being prepared for full privatisation later this year,

said it knew of "no major problems" with existing rules.

Lufthansa bans mobile telephones throughout flights but laptops, cassette recorders and electronic games can be used after take-off until before landing. However, the airline said it could not comment on the proposals until the details had been studied.

Deutsche BA, the German subsidiary of British Airways, which also allows the use of laptop computers while the aircraft is in the air, pointed out that the proposals could be altered as they passed through parliament. But the air-

line said it would abide by any new legislation and that it was always better "to be on the safe side".

Transport ministry officials said that there might be exceptions to the proposed ban, including one that would allow the use of approved portable computers. However, they indicated that, as presently envisaged, most normal laptops would be covered.

The ministry said Germany was "very, very strict" on aircraft safety and regarded itself as having a leading role in improving security.

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Increase in capital stock by means of bonus share issue, from Lire 87,276,982,500 to Lire 90,767,937,000

The increase in capital stock by means of a bonus share issue, from Lire 87,276,982,500 to Lire 90,767,937,000, authorized by the stockholders in Extraordinary Meeting on April 28, 1997, has been approved by the relevant authorities and recorded at the Treviso Register of Companies by entry dated June 4, 1997.

The bonus issue, to be effected as from June 23, 1997, will consist of 8,982,149 new ordinary shares, par value Lire 500 each, with dividend rights as from January 1, 1997, and will be allocated on the basis of 1 new bonus share for 25 shares held, against presentation of coupon No. 13.

The rights will not be quoted on the stock exchange. Assignments may be effected between June 23 and July 16, 1997, at the offices of Monte Titoli (for securities it administers) or the branches of the following accredited banks:

Banca Antoniana Popolare Veneta, Banca Commerciale Italiana, Banca della Svizzera Italiana, Banca di Roma, Banca di Trento e Bolzano, Banca Nazionale del Lavoro, Banca Nazionale dell'Agricoltura, Banca Popolare di Asolo e Montebelluna, Banca Popolare di Milano, Banca Popolare di Novara, Banca Popolare di Verona, Banco S. Geminiano e S. Prospero, Banca Popolare Friuladria, Banco Ambrosiano Veneto, Banco di Sicilia, Banque Paribas, Cariplo - Cassa di Risparmio delle Provincie Lombarde, Cassamarca, Citibank N.A., Credito Italiano, Deutsche Bank A.G., Deutsche Bank S.p.A., Istituto Bancario San Paolo di Torino, Banca Monte dei Paschi di Siena, Morgan Guaranty Trust Company, Rolo Banca 1473, Societa Generale.

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## NEWS: ASIA-PACIFIC

## Australia to sell off more airports

By Nikki Tait in Sydney

Australia's federal government is to privatise 15 more airports later this year, ranging from the fairly large facilities at Canberra and Adelaide to a handful of smaller "general aviation airports".

However, the second tranche of sales will still exclude the main Sydney airport, the country's largest. This was withheld from the first group of privatisations, completed earlier this year,

Privatisation programme may net government more than A\$6bn

because of the highly contentious issue of noise which is associated with the facility at present, and the vexed question of where to build a second airport to cope with the city's ever-increasing air traffic.

Yesterday Mr John Fahey, federal finance minister, said the three "Sydney basin" airports - the smaller facilities at Hoxton Park, Bankstown and Camden - would

also be excluded from the second privatisation round "pending consideration of issues associated with the second Sydney airport".

For sale this time are 10 "regular public transport" airports at Adelaide, Alice Springs, Canberra, Coolangub, Darwin, Hobart, Launceston, Townsville, Mount Isa and Tennant Creek, plus five general aviation airports.

The government is likely to seek "expressions of interest" in September or October this year, and plans to complete all 15 deals by the end of June next year.

The latest privatisation round comes as part of a federal government plan to dispose of all 22 facilities previously managed by the Federal Airports Corporation. The first sales - of the Melbourne, Brisbane and

Perth airports - earlier this year raised A\$3.34bn (US\$2.5bn).

This was much more than had been expected, leading some analysts to conclude that the whole privatisation exercise could generate more than A\$8bn.

Three consortia were successful in the first round. These were made up of Australian institutional investors and overseas companies:

Britain's BAA, Schiphol of the Netherlands, and Airport Group International of the US.

Several consortia indicated that they might be interested in other airports as they came up for sale. There has been speculation, for example, that ownership of Coolangub, which services Queensland's Gold Coast, could sit neatly alongside Brisbane. However, there is also likely to be interest from local and regional groups.

## ASIA-PACIFIC NEWS DIGEST

## Australian bank lending worries

Lending practices of Australian banks risk "sowing the seeds of future credit quality problems", the Reserve Bank of Australia (RBA), the country's central monetary authority, warned yesterday.

Mr Graeme Thompson, deputy governor with responsibility for prudential regulation, said there was "little doubt that current lending standards are less stringent than they were a couple of years ago".

Mr Thompson attributed the trend partly to intense competition for larger corporate customers, but added that the bank had also seen more cases where requirements for personal guarantees had been relaxed at the "smaller" end of the market.

"It's also possible that some of the regional banks might, in their eagerness to diversify loan portfolios, be lending to clients that the major banks are turning away," he said.

He warned that "chief executives and board should be considering carefully whether the additional point of market share that might be won now by lending to marginal propositions was worth the pain of future losses".

Nikki Tait, Sydney

## Unemployment increases

Australia's unemployment rate nudged higher to 8.8 per cent in May on a seasonally adjusted basis, compared with 8.7 per cent in the previous month. During the month, the total number of jobs available fell by 40,300. Most analysts had been predicting static or slightly improved numbers.

The data prompted speculation that the Reserve Bank would move to ease interest rates for the fifth time in the current cycle. "The startling loss of 40,300 jobs in May is indisputable evidence that the first-quarter spurt in growth faded into the second quarter. ... It also substantially increases the likelihood of a fifth rate cut agreed as early as the July meeting of the Reserve Bank board," said HSBC Markets.

Nikki Tait

## HK-China police liaison

Hong Kong's police said yesterday they had liaised with Chinese security forces concerning handover ceremonies at the end of the month, but that they would be responsible for the protection of mainland leaders. The statement came amid a growing row over Beijing's demand that its garrison be allowed to take up position before the midnight handover. The demand, which seems linked to the arrival of President Jiang Zemin and Mr Li Peng, the prime minister, has been rejected by Britain.

Beijing argues its troops must be in position for defensive duties from "zero hour". Mr Zhang Jun-seng, deputy director of Xinhua's Hong Kong branch, Beijing's de facto embassy in the territory, said the Chinese demand was supported in the Sino-British Joint Declaration on the transfer of sovereignty.

Mr Tung Chee-hwa, Hong Kong's post-colonial leader, has approved the appointment of three existing appeal court judges to the Court of Final Appeal, which will replace the UK's Privy Council as the court of last resort after the handover.

John Riddling, Hong Kong

## Trader had 'secret account'

Former Sumitomo copper trader, Mr Yasuo Hamanaka, had a secret bank account in Switzerland holding nearly SF1m (\$693,000), according to reports yesterday in the Japanese press. Switzerland's judicial authorities had already informed their Japanese counterparts about the secret account at a Zurich bank, which was discovered after a search by the bank, the Mainichi Shinbun newspaper said.

Until he was fired a year ago, Mr Hamanaka was the most influential trader in the world copper market. He has pleaded guilty to charges of fraud and forgery in connection with unauthorized trades that Sumitomo blames for a \$2.6bn copper market loss. He faces a maximum 15 years in prison.

Reuters, Tokyo

## Kesri triumphs in vote to lead Congress party

Khozem Merchant on the choice of an Indian backroom party fixer with no popular support

Mr Sitaram Kesri was declared president of India's Congress party yesterday after a leadership contest marred by accusations of vote-rigging. He defeated Mr Rajesh Pilot, a former Congress minister, and Mr Sharad Pawar, ex-chief minister of Maharashtra, who both cried foul.

Mr Kesri's landslide victory, eight months after he succeeded the disgraced former prime minister, Mr P.V. Narasimha Rao, as party leader, significantly strengthens his hand within Congress. It may also encourage him to try to derail the 15-party United Front (UF) government led by Mr L.K. Gujral.

Congress at present supports the UF in parliament, but Mr Kesri's withdrawal of Congress support brought down the previous administration in April.

His immediate task is to revive the fortunes of a once-

great party which was humiliated in general elections last year after governing India for all but five years since independence 50 years ago. Throughout that time it has been dominated by the Gandhi family, but the heir to that legacy, Mrs Sonia Gandhi, widow of Rajiv, has refused overtures to lead the party.

However, Mr Kesri's victory may make Congress even less electable. A septuagenarian backroom party fixer, he has no popular support and is described by one Congress insider as "strong on organisation but hardly a vote-catcher".

His success has dismayed many who hoped Congress would skip a generation and select a fresh youthful leader. That would have positioned the party well for the next election. "Kesri is the denouement of a decade of decline for Congress," said one analyst. "This was a chance to reverse a trend

but his election shows the total lack of internal democracy within the party."

However, his grip on Congress cadres is tight, testament to a lifetime spent in the backroom, most recently as party treasurer.

The leadership contest was held at the behest of the government's senior election official, who said he would not recognise parties if they were not internally democratic.

Mr Kesri must now try to reclaim Congress's bedrock support among upper-caste Brahmins, the rural poor and Moslems. These voters have deserted Congress over the past decade in favour of new regional and rural political formations - some formed as a result of splits within Congress.

These include the Hindu revivalist BJP, the secular left Janata Dal - the biggest element in the UF coalition - and a string of regional parties representing state



Septuagenarian in a hurry: Sitaram Kesri talks to journalists in New Delhi

and caste interests. Congress's continuing claim to be the natural and the only national - governing party of India is dismissed by some observers, who say Mr Kesri must in any case equip his party with an intellectual bank,

producing ideas and policies. Remarkably, none of the three leadership candidates spoke of policy in their campaign. Congress, besides its secular tradition, is widely regarded as bankrupt of campaigning issues.

The consensus appears to

be that Mr Kesri is the leader that an ailing Congress deserves. Paradoxically, power, and office, may yet pass to him - an old man in a hurry with a predilection for opportunism.

Editorial comment and Observer, Page 15

## Bangladesh imposes taxes on small industries

By Kasra Naji in Dhaka

The Bangladeshi finance minister, Mr Shah Kibria, has announced new taxes on small industries and has increased import taxes on many goods. The move is part of an effort to curb the government's increasing reliance on borrowing from the ailing banking sector.

The taxes were announced as part of the proposed \$6.4bn budget for the fiscal year 1997-98 starting in July. Manufacturers of soaps,

batteries, cables, bulbs and motor vehicle chassis are among the small industries which will now be liable to value added tax of 15 per cent.

Import taxes on many items have been increased by at least 2.5 per cent while import tax on cars and motor-vehicles has been put up by 25 per cent in the interest of cleaner air.

Mr Kibria also announced the government's commitment to step up the privatisation of state-owned

enterprises, whose losses are a huge burden on the government. He said 61 enterprises had been identified for privatisation.

The budget fails to tackle many of the reforms expected by the IMF and the World Bank. There is no mention of removing government subsidies on prices of petroleum products, gas, and fertilisers.

The budget also contains little that could encourage foreign investment. Corporate tax for

banks, insurance companies, financial institutions, and non-resident companies is cut from 45 per cent to 40 per cent. And non-resident Bangladeshis will now be able to buy up to 10 per cent of initial offers in the share market as opposed to 5 per cent previously.

"It's a conservative budget designed largely as a holding operation to prevent the macroeconomic situation from deteriorating," said Mr Hosain Zillur

Bahman, an economist at Bangladesh Institute for Development Studies. He noted depleting foreign exchange reserves and the government's increasing reliance on internal borrowing and external aid.

The country's foreign exchange reserves have fallen to \$1.6bn which is enough for only two and a half months of imports. This may affect the banking sector's ability to extend credit to industry.

## Payment of dividends

In accordance with the resolution of the General Meeting of June 11, 1997, the dividend for the 1996 business year is

per share before tax	gross SFr. 7.20
less Swiss withholding tax, at 35%	SFr. 2.52
	net SFr. 4.68

Payments will be made free of charge as of June 17, 1997 either by remittance to the bank indicated for deposit of dividends, or to the account stipulated for those shareholders with shares in private safekeeping or upon presentation of the dividend payment order at all Swiss branches of the following banks:

Swiss Bank Corporation  
Credit Suisse First Boston  
Rüd. Blass & Co. Ltd. Bankers  
Bank Leu Ltd.  
Union Bank of Switzerland  
Cantonal Bank of Zurich

and at the company cashier's office, Alfred Escher-Strasse 50, 8002 Zurich.

Shareholders who have designated the bank where they have deposited their shares as their address for payment of dividends will receive the normal dividend credit note from this bank. Persons with registered shares in private safekeeping who have indicated a postal or banking account will also receive a dividend credit note. Those persons who have not stipulated an account will receive their dividend payment order by mail.

Zurich, June 11, 1997

Zurich Insurance Company  
The Board of Directors

 ZURICH

## Japan agonises over Hong Kong boycott

By William Dawkins in Tokyo

The Japanese government was yesterday wrestling with the dilemma of whether to follow the US and Britain in boycotting the swearing-in of Hong Kong's new government.

Members of all three governments will be attending the territory's hand-over to China at midnight on June 30. However, Mr Tony Blair, the UK prime minister, and Ms Madeleine Albright, the US secretary of state, are to stay away from the subsequent Chinese ceremony inaugurating the provisional legislature which will replace the democratically elected legislative council.

Britain has consistently refused to attend the swearing-in of the new body, established last December, because its 60 members were chosen by a non-elected body in Beijing.

"Japan hopes some resolution can be found," said Mr

Hong Kong's Democratic

party yesterday failed in its

legal challenge against the

Beijing-backed provisional

legislature, writes Louise

Lucas. The Democrats had

argued the provisional body

had no basis in the Joint

Declaration and Basic Law,

accords covering the

handover and post-colonial

future. But the High Court

yesterday ruled there was

no basis for a case. The

party said it might appeal

against the decision.

Hiroshi Hashimoto, Japan-

ese foreign ministry

spokesman, when asked

whether Mr Yukihiko Ikeda,

the foreign minister, would

attend the swearing-in ceremony,

said the sensitive decision

was being considered in a

"neutral" manner.

The dilemma is especially

acute for Tokyo because Japan-

ese foreign policy tends to

take its cue from Washing-

ton. An example is their agreement in principle last weekend to step up their security alliance, much criticised by China.

But China has assumed increasing weight in Japanese priorities in recent years, a mark of the country's economic growth, as well as Japanese concern over how to respond to China's growing prominence as a regional power.

The first sign of an independent Japanese policy on China emerged in 1980, when Japan ignored a US aid embargo to become the first developed country to recommence official assistance to China. Aid had been suspended a year earlier in protest against the military crackdown on pro-democracy activists in Tiananmen square.

Japan suspended grant aid to China again two years ago, this time in protest against nuclear tests. It lifted that ban this March.

## Taiwan refuses to cancel military exercises

By Laura Tyson in Taipei and Tony Walker in Beijing

Taiwan yesterday rebuffed a US appeal to cancel planned military exercises to be held on the eve of Hong Kong's transfer to Chinese sovereignty. The defence ministry said it had no intention of calling off the "routine" live-fire exercises scheduled for June 23-24 in spite of a US warning on the sensitivity of the timing.

China yesterday urged Taiwan to avoid tensions on the eve of Hong Kong's return to Chinese control. Beijing's call for restraint came amid reports that both sides were planning military

exercises this month in the Taiwan strait, but China has not confirmed the reports.

"We hope the Taiwan authorities will take more actions that are conducive to improving relations between the two sides," said Mr Cui Tiangkai, foreign ministry spokesman.

Taiwan has repeatedly said its planned exercises were unrelated to the Hong Kong handover, but the Taiwan military spokesman confirmed the large-scale war games were intended to boost public confidence.

Mr Nicholas Burns of the US state department said: "It's best to stand down in times like this and to con-

tinue activities that promote goodwill and understanding and peace and not to engage in activities that are counter-productive."

Western military attaches in Beijing said increased "cross-strait rhetoric" before the Hong Kong handover reflected heightened sensitivity about the Taiwan issue. Chinese leaders have said the Hong Kong transfer under the "one country, two systems" formula will provide something of a model for Taiwan's reunification with the mainland. Beijing regards Taiwan as a renegade province and has not ruled out force to secure its return.

## Seoul discounts North threat

By John Burton in Seoul

South Korea's unification minister yesterday played down fears that North Korea might be preparing a sudden attack in a desperate response to its threatened famine.

"There is not any special development in North Korea that is related to aggression, but morale training and military preparations are still continuing," Mr Kwon Ok-de told a government national security meeting.

He said that North Korea was adding long-range artillery along the heavily-fortified demilitarised zone with South Korea, while it was expanding its submarine and landing craft forces and developing long-range missiles.

Some military analysts and diplomats have recently warned that dire food shortages might compel North Korea to launch an attack in a last-ditch effort to seize South Korea before Pyongyang's war capabilities are severely weakened. Predictions that the famine might result in a mass exodus of refugees are unlikely "unless the North Korean system collapses," said Mr Kwon.

Mr Kwon claimed that the threatened famine is likely to be averted since international donors have promised 800,000 tonnes of food, which should be sufficient to feed North Koreans until the next harvest in August. The UN has disputed this assessment, saying that North Korea needs at least 1.3m tonnes of grain.

Seoul is also claiming that the North Korean army is withholding food supplies from the civilian population, while it is receiving regular amounts of rations in addition to its "substantial" food reserves.



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# Take jobseekers, S Africa told

By Mark Ashurst  
in Johannesburg

The South African government has been urged to abolish existing immigration controls and open its borders to all jobseekers from Southern African states.

The proposal, from the Centre for Development and Enterprise (CDE), a Johannesburg-based think-tank funded by South Africa's biggest private companies, is intended to stimulate the economy and curb the flow of illegal immigrants.

Its recommendations contradict government legislation released by Mr Mangosuthu Buthe, the home affairs minister, in a green paper last month.

The paper says free move-

ment of people within the Southern African region is "neither politically nor economically viable for South Africa, so long as gross regional economic disparities persist".

However, the CDE urged the government to accept "the relationship between opening our borders to trade, industry, culture, communications and capital, and the movement of people which must inevitably follow".

Its proposals recognised the government had failed to enforce border controls, and "must not further jeopardise a brittle respect for authority by setting goals (for immigration policy) which cannot be achieved".

The CDE document advocates a two-tier immigration law combining an open door policy for skilled workers,

with a system of temporary work permits for all jobseekers.

Skilled immigrants would qualify for citizenship after five years. Unskilled migrants would be admitted only from Southern Africa, and would be required to secure tax-paying work and a permanent abode within six months, or be barred from entering South Africa for one year.

The recommendations in the green paper fall short of an open door policy, but recommend creation of a "labour market-based point system". This would enable immigration authorities to assess immigrants' potential contribution to the economy, and "pro-actively recruit immigrants with skills, expertise and resources". Publication of the docu-

ments coincides with press reports claiming 75 per cent of the 400 illegal immigrants deported daily from South Africa return within 24 hours. While no reliable data exists, official estimates of the total number of illegal immigrants in the country range from 2m to 4.1m.

Under existing statutes, immigrants to South Africa must comply with either the Aliens Control Act, obliging them to obtain residence permits before arriving in South Africa, or bilateral treaties allowing migration from the neighbouring states of Botswana, Lesotho, Swaziland and Mozambique.

The extent to which these laws have been flouted was partly exposed last year, when the government offered a general amnesty for illegal immigrants. More

than 50,000 applications were received from mineworkers and a further 200,000 from migrants from the southern African region.

Immigrants from Mozambique constituted 69 per cent of the 103,000 applications approved to date; a further 16 per cent were from Zimbabwe.

The CDE said its proposals would help redress the exodus of skilled labour from South Africa by encouraging new immigrants to alleviate the national skills shortage.

It recommended extending the definition of a skilled migrant to anyone capable of stimulating economic activity, including "entrepreneurs of all kinds who have demonstrated skills in creation and management of either formal or informal enterprises".

# Egypt lifts Middle East peace hopes

By Judy Dempsey in Jerusalem and Mark Hubbard in Cairo

The Egyptian president's political adviser, Mr Osama el-Baz, held talks with Israeli and Palestinian leaders yesterday, amid cautious optimism that the two sides were moving back towards the negotiating table.

Mr Benjamin Netanyahu, the Israeli prime minister, said he appreciated the Egyptian intermediary's efforts. His remark reflected Israel's gradual recognition of Egypt's central role in trying to break the Middle East deadlock.

Israeli-Palestinian negotiations have been suspended since March, when Israel started building the controversial new Har Homa Jewish settlement in Arab east Jerusalem.

"Egypt's role is now very important," said Mr Moshe Ma'oz, professor of Islamic and Middle Eastern Studies at the Hebrew University.

"Egypt is trusted by the Palestinians. And Israel knows that the US supports what Egypt is trying to do. The question is: Can Egypt find a compromise or formula that will allow both sides to save face?"

Egypt has brokered the implementation of the Oslo peace framework agreed by the Palestinians with the former Labour-led government in Israel, including the Oslo II agreement signed in Cairo in 1995 and the Oslo II accord on Palestinian interim autonomy, negotiated at Taba in 1995. In its current attempt to end the impasse, Egypt accepts that neither Israel nor the Palestinians can back down on Har Homa because it affects the future status of Arab Jerusalem.

However, Egypt believes that Israel can be more flexible on the question of future settlements, and that some form of *de facto* maintain confidence in the lira, preventing further interest rate convergence.

# 'Worst-ever year' for repression of unionists

By Robert Taylor,  
Employment Editor

Trade unions are being repressed across the world in more countries than ever before, according to the International Confederation of Free Trade Unions. It claims trade union repression occurred in 103 countries during 1996, the largest number it has ever recorded.

The Brussels-based body represents 124m workers in 196 affiliate trade union bodies. "Poverty and inequality have increased in the developing countries, which globalisation has drawn into a downward spiral of ever lower labour standards to attract investment and meet the demands of enterprises seeking a fast profit," Mr Bill Jordan, the confederation's general secretary, writes in his introduction to the ICFTU's annual report on workers' rights, which is published today.

He claims trade unionists are being attacked by governments which have "chosen to bow to pressure from the financial markets rather than from their own electorates".

One of the root causes of anti-union repression, he says, is "the combination of governments seeking to shed their powers of economic intervention and employers and the business world striving to increase their".

The report says at least 264 trade unionists were murdered in 1996, with most of the killings taking place in Latin America - 98 workers were murdered in Colombia, 24 in Brazil and nine in Bolivia - as well as Algeria, Lesotho and Nigeria.

The report also estimates that a further 1,761 people were injured in the course of their trade union activities. As many as 4,284 trade unionists were arrested last year for carrying on activities recognised by core labour standards codified by

the International Labour Organisation, the report claims. It also counts an estimated 7,626 cases of harassment and intimidation against trade union members. A further 158,494 workers were dismissed for being trade union members.

It says that China has "one of the worst records of trade union repression, with hundreds of trade unionists and their families being ill-treated or imprisoned in labour camps for minor crimes like printing t-shirts with slogans advocating free trade unions".

The report also highlights attacks on trade union activity in former Soviet bloc countries, particularly in Belarus, where a presidential decree has suspended all independent trade union activity.

Copies of the report are available from the ICFTU, 155 Boulevard Emile Jacqmain, 1210 Brussels, Belgium.

freeze on Har Homa is essential. "If Netanyahu becomes reasonable, he will alienate his extreme right," one Arab official said. "Har Homa is a symbol or a test of the overall direction. Even if the Israelis freeze construction there, it will be extremely difficult to convince any Palestinians that the Israeli government is acting in good faith."

Israeli officials believe a formula to restart negotiations can be reached. "Everybody knows Netanyahu will not stop building at Har Homa," an official said. "But he could slow it down and start building Arab housing in east Jerusalem," he said.

Israel's change of heart towards Egypt stems from US inability to break the deadlock as much as Egypt's desire to assume a more prominent role in the region.

The US has been on the sidelines for weeks, refusing to exert pressure on Mr Netanyahu's government over settlements.

Consequently, Washington is not accepted as an "honest broker" by the Palestinians. This is especially so since the recent decision by Congress to declare Jerusalem the undivided capital of Israel and to make available \$100m to move the US embassy from Tel Aviv to the city, even though the status of Jerusalem is supposed to be left until "final status" talks between Israel and the Palestinians.

Israeli officials said Egypt was key to maintaining peace in the region and Israel could not afford to have a hostile neighbour. Yet a senior Israeli official was not certain whether Mr Netanyahu would be prepared to give Egypt's President Hosni Mubarak concessions as a price for finding a way to restart negotiations with the Palestinians.

# Date set for West Sahara talks

By Roula Khalaf

Morocco and the Polisario Front are to hold direct talks in Lisbon on June 23 to seek ways to implement a stalled United Nations referendum on the future of the disputed Western Sahara. Mr James Baker, UN special envoy on the Western Sahara, said in London yesterday.

After two days' talks with the parties, the former US secretary of state said he had reached the conclusion that the referendum plan could not be implemented without direct talks, which will be held under his auspices.

Algeria, which backs the Polisario, and Mauritania, which has a long border with the Western Sahara, will be observers.

Mr Baker said progress had already been made, with each side offering gestures of good faith.

Morocco has resisted direct talks with the Polisario because it rejects any attempt to put in doubt its sovereignty over the former Spanish colony.

It has also agreed to defer identification of 50,000-60,000 people as potential voters in the referendum, but whose qualification is subject to challenge.

These names are part of the central dispute between Morocco and the Polisario, which claims independence for the territory. Morocco has insisted on identifying an extra 100,000 names on the grounds that thousands of people not living in the Western Sahara were pushed out by Spain.

The Polisario has agreed to resume immediately the identification process, which the UN stopped last May. It will also allow the UN High Commissioner for Refugees to enter Polisario camps in Algeria, where about 150,000 Saharawis have lived for 20 years.

Mr Baker made clear yesterday that the talks in Lisbon will not be in search of a complete solution to the seemingly intractable conflict. They will aim to put the referendum, agreed to in 1991 but postponed several times, back on track.

Unless the parties can now agree a firm commitment to implement the referendum, the UN will give up its mission in the Western Sahara, at the risk of seeing the Polisario break the 1991 ceasefire and resume armed conflict against Morocco.

Mr Baker had taken on the assignment believing a compromise based on limited autonomy for the Saharawis would be the likely result of mediation. This is because both Morocco and the Polisario seemed unwilling to accept a referendum outcome that did not correspond to their aspirations.

However, neither the Polisario nor Morocco has shown any willingness to discuss limited autonomy or a final compromise. Instead, they have both insisted that the referendum plan is the only solution to the conflict.

If both now appear willing to make some compromise to get the referendum back on the table, it is because they know Mr Baker would walk away from the mission and they would be held responsible for this.

# Morocco goes to polls today

By Roula Khalaf in London

Morocco's 13m eligible voters will elect 25,000 local council members today, in a poll meant to mark an important step in the nation's move to a more open political system.

The poll is the first in a series culminating in a legislative ballot in September. Today's elections are being watched as a test of the government's commitment to electoral transparency.

Mr Driss Basri, the interior minister, and opposition parties signed a "gentleman's agreement" earlier this year in which the government promised fair elections while the opposition agreed not to contest the results if they were not seriously manipulated.

Both local councils and legislature are dominated by pro-government parties. Parties in the opposition bloc known as the Koutla, including the nationalist Istiqlal and the left-leaning Union

Socialiste des Forces Populaires (USFP), are fielding candidates separately in the local elections.

Observers believe the move will make it more difficult for them to secure a victory. Political affiliation has less relevance in local polls, as Moroccans tend to vote for local individuals with influence. Local councils emerging from today's ballot will elect representatives to make up 60 per cent of Morocco's new upper house, created in a constitutional referendum last September.

The rest of the members will be indirectly elected from unions and chambers of commerce. The upper house can dismiss the government through a no-confidence vote. Amendments to the constitution, by creating a second chamber, reduced powers of the lower house, but the opposition supported the change because it allowed all lower house members to be directly elected.

# UN post for Irish president

By Michael Littlejohns, UN Correspondent in New York

Mrs Mary Robinson, the president of Ireland, will be the new United Nations High Commissioner for Human Rights, subject to approval by the General Assembly, it was announced in New York last night.

Mr Kofi Annan, the secretary general, who made the nomination, said she would bring "dynamism, credibility and leadership" to the post. The first and only high commissioner, Mr Jose Ayala Lasso, who resigned to become foreign minister of Ecuador, was widely criticised for a somewhat lackadaisical approach to the job.

By contrast Mrs Robinson, 53, has long been an activist with special expertise in constitutional and European human rights law. As a barrister she pleaded landmark cases before the European Commission and Courts of Human Rights and the European Court of Justice.

Although her term as president of Ireland would not end until December 31, officials said that arrangements were in hand for Mrs Robinson to take up her UN duties no later than September.

Mr Annan said she understood the urgency of assuming her new duties and he expected she would come to New York in time for the opening of the General Assembly in September which would consider the nomination. The secretary general said the appointment was "one of the most important" that he would ever make during his term of office.

Mrs Robinson had been the leading candidate for the post, vacant since March, but faced Third World objections because she is a European. Her closest competitor, Ms Sonia Picado de Costa Rica, was rejected last month. Mr Annan said he would shortly appoint a deputy, who would come from a developing country.

# Italy will meet Emu terms, says OECD

By Wolfgang Münchau,  
Economics Correspondent

Italy could meet this year with same ratio of budget deficit to gross domestic product as France and Germany, according to the latest economic outlook by the Organisation for Economic Co-Operation and Development, the Paris-based think-tank.

The OECD said Germany, France and Italy were heading for a deficit of 3.2 per cent of gross domestic product this year - outside the 3 per cent limit for joining the single European currency.

The OECD's projection for Italy is nearly identical to a recent European Commission forecast. But the OECD is more pessimistic about Germany and France than the Commission, whose forecast suggested that both countries would fall within the 3 per cent ceiling set by the European Union's Maastricht treaty.

The OECD forecast will add considerably to the difficulties by any group of countries hoping to exclude Italy from the first stage of Emu, scheduled to go ahead on January 1, 1999.

On the basis of the OECD data, Italy could only be excluded on the grounds of its projected 1998 performance, when its deficit is expected to widen from 3.2 per cent to 3.8 per cent. The OECD said Italy's 1997 performance was boosted by series of one-off measures.

The German deficit-to-GDP ratio is forecast to drop to 2.7 per cent in 1998, while France is heading for 3 per cent in the same year.

The OECD warns that its projections for all the largest European economies could be at risk because of financial market turbulence that may arise as a result of the move to Emu.

In Germany, "expectations about the ability of countries to meet the Maastricht criteria by the end of the year could have unpredictable confidence and financial market effects," the OECD

said. In France, "tensions in financial markets in the run-up to the introduction of the single currency could dampen growth," it said.

Even without financial market turbulence, economic growth in the major European economies is projected to be disappointing.

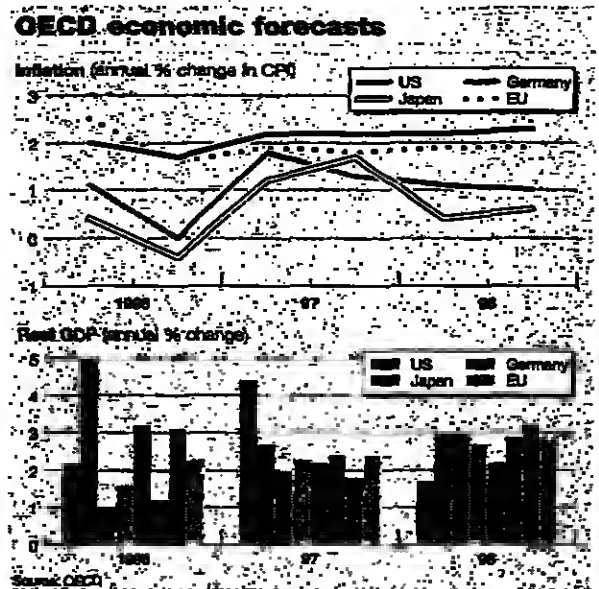
The OECD is forecasting a recovery in Germany, but unemployment would remain at 11 per cent this year, dropping only marginally in 1998.

Economic growth is projected at 2.25 per cent in 1997, rising to 2.75 per cent in 1998.

"Growth is heavily dependent on exports so that any weakening in foreign markets could have an important negative impact," it warned.

The OECD projects identical growth rates for France in 1997 and 1998. French unemployment is forecast to fall modestly from a rate of 12.7 per cent in the first half of this year to 12.1 per cent at the end of 1998.

The Italian economy is set for an even slower recovery



with growth projected at 1 per cent this year, rising to 2 per cent in 1998.

The outlook said its projections for the Italian economy were subject to risks on either side.

"Full implementation of announced budget plans could have more favourable effects on financial markets than assumed," it said, resulting in lower interest rates and debt servicing charges.

But "slippage in the implementation of the 1997 budget would make it difficult to

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# US airlines diverge on Asian open skies strategy

By Nancy Dunne in Washington

US airlines were yesterday openly divided over how to handle talks on liberalising air travel in Asia.

The split between United Airlines and Northwest, the two largest US carriers flying to Japan, emerged as the Clinton administration announced that it was reconsidering its strategy in open skies talks with Japan.

The two airlines had been joint proponents of a tough US stand in seeking an open skies agreement. However, at a House transportation subcommittee hearing yesterday they urged radically different courses in the deadlocked talks with Japan.

United said it was time for the US to adopt more modest

objectives. It argued for a "result-oriented" strategy, pursuing an interim agreement which would allow code-sharing and global alliances with foreign carriers in the Asia-Pacific, similar to those established in Europe. US carriers would get new routes, more flights to and beyond Japan and the promise of liberalisation later on, United said.

Mr Gerald Greenwald, chairman of United, said the transitional deal could provide "substantial opportunities" for both US and Japanese carriers, as they enter alliances. Any carrier, US or Japanese, would have the ability to benefit from hub networks at both ends of feeder routes.

"Even in an open skies environment, it is plain that

US carriers could now never duplicate with their own aircraft the strengths of the Japanese carriers' network," he said. "Moreover, while US carriers' domestic hubs are relatively mature, Japanese hubs are rapidly expanding to serve Asia."

He warned that the stalemate in negotiations with Japan means that Japan's carriers would continue to expand their local network far faster than US carriers could expand.

But Mr John Dasburg, chief executive of Northwest, said it was unnecessary for the US "to settle for anything less than open skies". Japan would soon be forced to the negotiating table because Japanese airlines were losing money in international markets.

The United strategy would leave Japan and its airlines "the undisputed gatekeepers to the Asia-Pacific air service market," he said. "It would be a trade mistake of colossal proportions if we were to let our carriers be relegated to the future role of transpacific feeder carriers for the Japanese carriers serving the rest of Asia."

Mr Patrick Murphy, a transportation department official, said Washington had proposed to Tokyo "phasing in a market-oriented regime" over three years.

Mr Robert Crandall, chairman of American Airlines, backed the United line. "Those who call for holding out unconditionally for open skies with Japan are, in fact, urging a continuation of the status quo," he said.



Robert Crandall: backing for United

## WTO to probe Indonesian car

The World Trade Organisation yesterday established a dispute panel to examine complaints by Japan and the European Union against Indonesia's "national car" programme. The programme grants tax and customs duty privileges to cars produced by a joint venture between an Indonesian company controlled by President Suharto's youngest son and Kia Motors of South Korea.

Once the three neutral panel members are named the panel will have six to nine months to produce its report, but Japan said yesterday it still hoped to continue talks on a settlement. Japan and the EU claim that Indonesia is violating WTO rules, including those relating to non-discrimination, investment measures and subsidies. Foreign car manufacturers say the tax breaks for the "Timor" national car have made their locally produced or imported cars uncompetitive and reduced the value of their investments there.

Frances Williams, Geneva

## Boeing considers 460-seater

Boeing of the US is talking to airlines about building an extended 460-seat version of its 747-400 aircraft. The discussions follow Boeing's decision earlier this year to shelve plans to build a 560-seat "super jumbo".

Mr Bruce Dennis, Boeing's marketing vice president, told the FT aerospace conference in Paris yesterday that while Boeing had decided the market for a 560-seater was too small, it was still considering building a new generation of larger aircraft.

British Airways, one of the few airlines to have expressed an interest in the 560-seater, has said it still hoped Boeing would produce an aircraft larger than the 400-seat 747-400. BA is also talking to Airbus Industrie, the European consortium, which is pressing ahead with plans to build its own 550-seater.

Michael Skapinker, Paris

## EU plans pact with Mexico

Mexico and the European Commission yesterday reached a preliminary agreement paving the way for talks early next year on a free trade pact. EU trade with Mexico was less than 1 per cent of its total in 1995, and has dwindled since Canada, the US and Mexico signed the North American free trade agreement. Mexican exports to Europe have been hurt by tariffs and other barriers which have been waived or eased for some of its competitors. Yesterday's accord requires approval from the European Parliament, which has insisted on guarantees from Mexico on human rights, a key obstacle in earlier talks.

Sander Thoenes, Brussels

# EU-US aircraft agreement 'iniquitous'

By Michael Skapinker in Paris

British and German aerospace executives yesterday described as "iniquitous" the 1992 agreement between the US and the European Union which limits government support for aircraft manufacturing, and called for its renegotiation.

Mr Mike Turner, a managing director of British Aerospace, and Mr Wolfgang Piller, a director of Daimler-Benz Aerospace (Dasa) of Germany, told the FT aerospace conference in Paris that governments should be

allowed to invest as much in new aircraft programmes as they wished. The 1992 treaty permits governments to provide up to a third of development costs of new aircraft.

Mr Turner said the US was providing more financial support to American aerospace companies than all European governments combined. The executives said the support was channelled to US companies through the Department of Defence and NASA, the space agency.

While European governments provided Airbus Industrie with repayable loans, US government

research expenditure was not repaid, they added.

Mr Piller said a change in the treaty was urgent because of Boeing's proposed takeover of McDonnell Douglas, which has large defence interests. Mr Piller said the merger would make it easier for Boeing to gain access to US defence funding.

"The proposed company changes the nature of the competition by combining civil and military products under one roof," Mr Piller said. "To put this into perspective, 30 per cent of Boeing's projected turnover will come from government mar-

kets," equal to the whole German defence budget.

Mr Karl Van Miert, EU competition commissioner, has told Boeing he fears US government defence spending will be used to develop civil aircraft. But Boeing has said defence spending is carefully monitored by the US government to ensure it is not used for civil aircraft programmes.

Mr Turner said European companies needed to create a single civil aerospace, defence, space and missile group to deal with US competitors on equal terms. This should be achieved through

an eventual merger of BAE, Dasa and Aerospatiale of France, itself in merger negotiations with Dassault Aviation, also of France.

The merged group would form the basis for a larger entity, including Spanish, Italian and Swedish companies.

Mr John Weston, another BAE managing director, said national aerospace companies should eventually disappear, to be replaced by the large European group, which should be publicly listed.

Individual European countries would retain aerospace manufacturing and research

facilities and governments should retain golden shares in the new entity, to be used only when national security was threatened.

BAE sees transformation of Airbus into a limited company as a first step to forming this group. But differences remain among the companies which own Airbus - BAE, Dasa, Aerospatiale and Casa of Spain. BAE and Dasa want Airbus to take control of civil aircraft manufacturing; Mr Jean-Louis Fache, Aerospatiale vice-president, said manufacturing facilities should remain with the partners.

# Seagate to invest in Irish disc drive plant

By John Murray Brown in Dublin

Seagate Technology, the US data technology company, is to invest £114m (\$220.8m) in a factory in County Cork in the Irish Republic to make computer disc drives, creating 1,000 jobs within the next three years.

The company already has an assembly plant in Clonmel, Ireland, and last week announced a £149m expansion of its wafer fabrication factory in Londonderry, Northern Ireland, where it makes advanced read-write heads for computer disc and tape drives.

It also has a factory in Limavady, Northern Ireland, making aluminium substrates for disc drives.

The investment is driven by the growth in global demand for data storage devices, and underlines the attractions of Ireland's 10 per cent corporation tax, and the availability of skills from the nearby Cork University, among the top five micro-electronic research centres in Europe.

Seagate is the world's biggest manufacturer of disc drives, with 30 per cent of

the market, employing 108,000 people with annual turnover of more than £5bn.

The company says the factory at Ringsakiddy will be in production in 1998, with output shipped to Seagate's assembly plants in Ireland, the US and Malaysia. Up to half the 1,000-strong workforce are likely to be engineering graduates.

Company executives have held talks with Cork's National Micro-electronics Research Centre, which already has collaborative agreements with 160 domestic and foreign-owned electronics companies, and is involved in designing training programmes for a number of multinationals.

Seagate's arrival in Cork will boost the local economy, where inward investment has been over-concentrated in pharmaceuticals. Since the mid-1970s, a number of multinationals have set up, but the region has largely missed out on the recent wave of information technology investments.

Mr Conor Doyle, president of the Cork Chamber of Commerce, said the investment would give a "better balance" to the local indus-

trial infrastructure. Earlier this year, local worries were raised over Apple's worldwide rationalisation plans, with fears for its Cork plant, set up in 1980.

Ireland now relies on foreign investment for 75 per cent of its manufactured exports, more than half manufacturing output and 45 per cent of industrial employment.

Last year, it replaced the UK as the favoured site for US electronics hardware investment, securing 30 per cent of new projects in the European Union against 19 per cent for the UK, a study by accountants KPMG showed.

Intel, the US chip manufacturer, has invested more than \$2bn in a plant at Leixlip outside Dublin. Earlier this year IBM announced a \$350m investment in computer memory chip manufacture. The low tax regime has allowed US companies earn a post-tax rate of return of 23 per cent on capital employed, up to five times that of US companies elsewhere in Europe, the US Department of Commerce says.

# Emu policies hit white goods sales in Europe

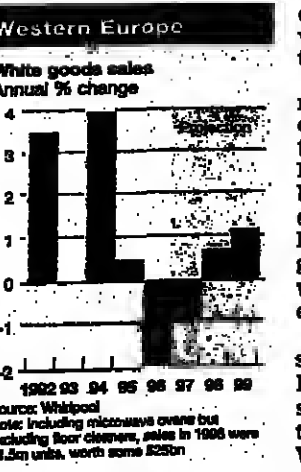
By Peter Marsh in London

Sales in Europe's \$25bn-a-year white goods industry are expected to decline in value this year, the fifth successive year in which the value of sales have fallen, according to Whirlpool of the US, one of the world's biggest two manufacturers of these products.

Whirlpool, which shares the top spot in the world's domestic appliance industry with Electrolux of Sweden, says prospects for the western European market have dimmed since the end of last year.

In volume terms, the company is projecting a decline this year in white goods sales of 1 per cent, after believing six months ago the market would be flat. Mr Jeff Pettig, president of Whirlpool's European division, said in an interview: "The environment [in Europe] is terribly negative."

Consumers have been cautious about buying new washing machines, refrigerators and cookers for several years, because of generally weak economic growth. But, Whirlpool says, efforts by governments to reduce borrowing and get inflation under control in preparation




for a single currency have put the white goods industry under greater pressure in the past two years.

The attempts, particularly in Germany and France, to qualify for monetary union in 1999 are having a "negative near-term effect on economic growth", with "social spending cuts and tax increases inhibiting private consumption," Whirlpool added.

Earlier this year, the head of European operations of Caterpillar of the US, the world's biggest construction machinery maker, also linked efforts by countries to

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# Brazilian bill seeks to resolve reform impasse

By Geoff Dyer in São Paulo

Brazilian government leaders have proposed a special one-year session of Congress to revise the constitution, in the latest attempt to push forward stalled reforms.

The announcement follows the continued blockage in Congress of the civil service and social security reforms, proposed by the government more than two years ago. Economists see the reforms as crucial in reducing the budget deficit and securing macroeconomic stability.

Mr Aécio Neves, leader of the Social Democratic party in the lower house, said he would present a bill to Congress next week asking for a so-called "revisory" session in 1998.

His comments were interpreted as a tacit admission that the government did not expect to secure sufficient approval of key constitutional reforms to the civil service and social security system before the presidential elections in October next year.

Mr Neves proposed that the special session should run through 1998 with changes to the constitution being passed on the basis of a simple majority vote, rather than the three-fifths majority normally required.

His bill would require the approval of a separate constitutional amendment in Congress. He also suggested that a referendum should be held on the subject.

A revision of the constitution in 1995 was becoming increasingly a "good alternative", he said. His proposal was backed by Mr Inocêncio de Oliveira, leader in the lower house of the Liberal Front, a member of the government coalition.

The idea of a special session of Congress has been discussed for a number of months, but Mr Neves is the first government leader to openly propose it.

The government had hoped its enhanced authority, after the approval of a constitutional amendment allowing President Fernando Henrique Cardoso to stand for re-election, would break the impasse in Congress.

However, while it has made progress on a number of other pieces of important legislation, it has not been able to push through the constitutional reforms which require a larger majority.

Earlier this week the government failed to defeat an opposition amendment to the administrative reform bill and the vote on another and more important opposition amendment was postponed until next week.

Analysis said the government had until the end of the year to push its proposals before election campaigning begins in earnest.

Observers said that if Mr Neves' bill was approved, it could provide a significant impetus to the government. However, Mr Alexandre Barros, a political analyst, warned: "This could open a whole new Pandora's box, if the government only needs a simple majority to change the constitution, then the opposition only needs a simple majority to overturn reforms already approved."

Brazil's 1988 constitution, which was written after more than two decades of military dictatorship, has been widely criticised for making unrealistic commitments and for the protection it awards several vested interests.



President Cardoso: re-election allowed

which was written after more than two decades of military dictatorship, has been widely criticised for making unrealistic commitments and for the protection it awards several vested interests.

## Rival US agencies fail to agree a common line

### Pollution row nears climax

By Bruce Clark in Washington

A political battle over plans to impose tighter air pollution standards in the US is moving to a climax, not only in Congress but in the heart of the White House.

Rival agencies of the Clinton administration have been trying without success to hammer out a common line on plans by the Environmental Protection Agency to regulate ozone and tiny soot particles more stringently.

President Bill Clinton, who has presented competence in handling the economy as one of his greatest strengths, is under mounting pressure from a coalition of manufacturing, mining and energy interests which has denounced the standards as unscientific and hugely expensive.

Mr Gene Sperling, a close presidential aide who heads the National Economic Council, is understood to be holding the ring in a bureaucratic battle between the EPA's director, Ms Carol Browner, who has championed the standards, and the Office of Management and Budget.

Mr Kofi Annan, UN secretary-general, yesterday warned the US Congress against imposing conditions on the payment of Washington's arrears to the world body, writes Michael Littlejohns in New York.

UN officials estimate US arrears exceed \$1bn, but a plan between Republican leaders and the White House calls for a \$819m settlement. However, diplomats in New York are outraged over a related proposal to have the US General Accounting Office go over the UN's financial records.

Mr Annan said: "One can discuss these things in the Congress but that does not mean they are going to become law in the UN".

Ms Browner wants to reduce to 25 microns from 10 the size of tiny particles, produced by combustion engines and factories, which are subject to regulation. She also proposes to slash the permissible level of ozone to 0.08 parts per million, measured over eight hours, from 0.12 parts measured over an hour.

The OMB, which must review

the EPA's proposals before they are finalised in July, has floated the idea of softening the rules by allowing regions to exceed the ozone limit eight times a year, rather than three times as the EPA wants.

The EPA has calculated that, under its plan, regions with a total population of 74m - including most of New York, Detroit and Los Angeles - would find themselves in "non-attainment" with the new soot standards, while nearly 52m Americans live in places that fail to meet the ozone requirements.

The OMB has also suggested increasing by 20 per cent the level of soot that would be acceptable. But Mr Frank O'Donnell, a campaigner with the Clean Air Trust, a non-profit group, said: "We're pleased that Ms Browner seems to be holding firm, because the public supports her."

Mr Clinton and Vice-President Al Gore, who has emphasised his own interest in the environment as he grows himself for the White House, have avoided public comment on a dispute where almost any position carries political risk.

## Ecuador outlines plan to cut deficit

By Justina Newsome in Quito

President Fabián Alarcón of Ecuador has finally bitten the bullet and announced how he plans to cut his country's 1997 budget deficit from 4.6 per cent to 2.7 per cent of gross domestic product.

Rejecting "orthodox economic measures which hit the pocket of the poorest Ecuadorians", Mr Alarcón has opted for a hotchpotch of one-off policies, leaving analysts sceptical of their efficacy.

When he was appointed by Congress in February to replace Mr Abdalá Bucaram, Mr Alarcón inherited a potential fiscal deficit for 1997 of almost 7 per cent of GDP, or \$1.4bn. The government claims the deficit forecast has since been cut to 4.6 per cent of GDP.

To achieve its 2.7 target, Mr Alarcón promised measures "which do not have great social costs, as has been the policy of this government since the beginning". The details of the new measures which together, the government hopes, will cut the deficit by a further 1.9 points were far from clear in the president's announcement. Revenue from oil exports would no longer be used to finance the import of derivatives, and importers would be responsible for their own financing, the president revealed.

The states would also discount letters of credit received in payment for oil sales, and make more efficient use of public sector funds deposited at the central bank.

However, there is little optimism that this government will be the one to win a long battle to recover a debt from Ecuador, the private electricity company.

The president also rejected a cut in the state subsidy for cylinders of cooking gas, and pledged to continue protecting poor electricity consumers with subsidies. But "sectors with the capacity to pay" look set for an increase in electricity prices.

While nationalists apprehensive about an austerity package may be relieved following Wednesday's announcement, economists warn that these half measures do not provide long-term solutions for Ecuador's public finances.

## AMERICAN NEWS DIGEST

### Further fall in US retail sales

Retail sales in the US dropped for the third consecutive month in May, the Commerce Department reported yesterday, reflecting in part slower sales of more costly durables such as cars.

The stock market rose to new highs on the data, with the Dow Jones Industrial Average gaining more than 82 points to 7,658.18 by early afternoon. Analysts said weaker than expected sales figures and higher than forecast weekly unemployment data made it less likely that the Federal Reserve would raise interest rates soon.

Retail sales dropped 0.1 per cent last month to a seasonally adjusted \$210.3bn after revised falls of 0.9 per cent in April and 0.3 per cent in March. It was the first time in more than 16 years that retail sales have weakened for three consecutive months, department officials said, and may indicate a long-term slowing of consumer demand. Economists had forecast a rise of 0.4 per cent for the month.

Meanwhile, weekly new jobless claims rose by 1,000 to 388,000 in the week ending June 7. Economists had forecast claims would fall to 386,000. *Reuters, Washington*

### EU raid on US agribusiness

The European Commission yesterday confirmed its inspectors had raided the European headquarters of Archer Daniels Midland, the US agribusiness group, in connection with alleged price-fixing of amino acid products.

Two other US companies with offices in Europe have also been searched as part of the same investigation, but the Commission refused to name them. However, a spokesman for Mr Karel Van Miert, competition commissioner, said they were located in the UK and Germany.

Last year ADM pleaded guilty to price-fixing charges on lysine, an amino acid, and citric acid in the US and paid a record \$10m in fines.

The Commission inspectors are understood to have been looking for information relating to lysine following complaints from competitors. Under EU competition rules the Commission can raid any company trading inside the EU suspected of anti-competitive practices. If found guilty, they could be fined up to 10 per cent of annual global sales.

Last week it emerged the Commission and the US competition authorities were probing alleged price fixing among graphite producers. *Emma Tucker, Brussels*

### Pressure on Banzer over ally

Pressure is building in Washington for General Hugo Banzer, winner of the first round in Bolivian elections on June 1 and favourite to become the next president, to rethink his chief coalition partner.

Three US congressmen, including Mr Benjamin Gilman, chairman of the House committee on foreign affairs, have sent a letter to Mrs Madeleine Albright, secretary of state, urging her department to preserve "the strong partnership that the US and Bolivia have maintained in the fight against drugs".

Mr Banzer's coalition partner, former president Mr Jaime Paz Zamora, has had his US visa permanently revoked for alleged drug links. *Sally Bowen, Lima*

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Chancellor retorts that changes will bring a more rigorous, precise and open approach

# City attacks move to ease inflation target

By Robert Chote and Liam Halligan

Mr Gordon Brown, the chancellor of the exchequer, came under attack from opposition parties and City of London economists yesterday for relaxing the government's inflation target.

But he rebutted the criticism, telling the House of Commons that "instead of an ad hoc, personalised and often chaotic system, we have introduced rules based on principles and a rigorous approach".

Mr Brown confirmed that the newly independent monetary policy committee of the Bank of England, the UK central bank, would be charged to achieve 2.5 per

cent underlying inflation, excluding mortgage interest payments. Previously the target was 2.5 per cent or below.

In his first speech to the Lord Mayor of London's annual dinner at the Mansion House in the City, Mr Brown said he would like to reduce the inflation target in future if international conditions permitted and if the government managed to help the economy sustain stronger growth without pushing up the rate of price increases.

He also hailed what he described as "rigorous, precise and open procedures" which would help the Bank deliver the inflation target in the long term. If inflation

diverges from the new target by more than a percentage point either side, Mr Eddie George, the Bank's governor, will have to write an open letter of explanation.

This would ensure "the public was fully informed why the divergence has occurred and what steps will be taken in response", he said.

But the chancellor's revision to the inflation target ran into criticism.

"By having fixed 2.5 per cent, with an effective margin of 1 per cent either way, you are setting a range of 1.5 per cent to 3.5 per cent, beginning a serious relaxation of bearing down on inflation," said Mr Malcolm Bruce, the Treasury spokes-

man for the pro-European Liberal Democrat party.

Mr Kenneth Clarke, shadow chancellor in the opposition Conservative party, said: "You are giving no kind of stability or confidence to anyone."

But the chancellor's sides denied there had been any loosening and Mr Brown insisted in a letter to the Bank governor that "the thresholds do not define a target range".

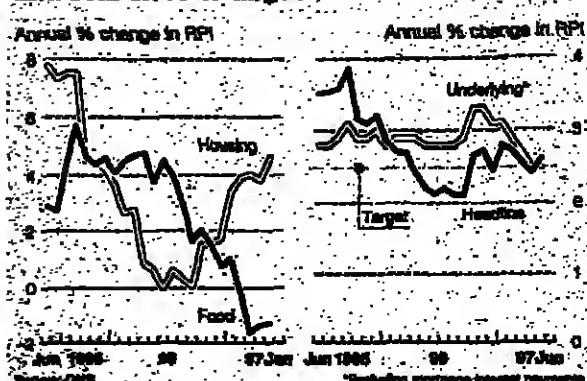
In his speech at the Mansion House, Mr George promised that the Bank would not exploit its new-found independence to "adopt an unduly cautious approach, thereby imparting a restrictive bias to the economy". He said 2.5 per cent was

clearly the mid-point of the target and "the measure of our success will be how close we come to 2.5 per cent on average over time".

Mr George also warned that the new and expanded Securities and Investments Board, the City regulator, ran the risk of becoming over-bureaucratic. He said there were "powerful arguments" for the government's decision to move responsibility for banking supervision from the Bank to SIB.

But combining banking supervision, which seeks to minimise the risk of failure in each bank, with the central bank's responsibility for preserving the stability of the system could produce a "cross-eyed controller".

Inflation: close to target



The underlying rate of inflation - the retail price index minus mortgage payments (RPIX) - was 2.5 per cent in the year to May, unchanged from April. But the overall rate edged up slightly. The retail price index (RPI) gained 0.3 of a percentage point in May, taking the annual rate of change to 2.6 per cent compared with 2.4 per cent in April.

## Old score settled in favour of ex-minister

By Richard Adams in London

Yesterday's news that inflation is on target was good news for Mr Kenneth Clarke, the former chancellor of the exchequer, now running to be leader of the opposition Conservative party. Two years ago, Mr Clarke and Mr Eddie George, governor of the Bank of England, clashed over whether to raise UK base rates. Mr George wanted a rise, but was overruled by Mr Clarke. The assumption in the Treasury and the Bank is that interest rate changes take about two years to have their full impact on the economy.

Two years on, Mr Clarke turned out to be right. The base rate at the time was 6.75 per cent - 0.25 higher than now - but Mr George argued that an increase to 7.25 per cent was needed to slow the economy and meet the inflation target. Mr Clarke said he saw no justification for a rise. In fact, the next move in rates was down.

Mr Clarke went on cutting interest rates until they were at 5.75 per cent this time last year. Then sterling began its rapid ascent in August last year, with cheaper imports now keeping prices down and underlying inflation on target.

Robert Chote

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Lex, Page 16

## Treading the line between credibility and humility

Turning enthusiasm for low inflation into a precise numerical target involves a trade-off between the need to establish credibility and to demonstrate humility.

Any target has to be demanding enough to persuade the financial markets and wage bargainers that the authorities are serious about achieving low inflation. But it cannot be so demanding in case the authorities lose their credibility again if the target proves impossible to hit.

Mr Gordon Brown, the chancellor of the exchequer, yesterday

tried to strike a balance between these conflicting objectives.

He told the Bank of England's monetary policy committee to pursue a target of 2.5 per cent for underlying inflation, which excludes mortgage interest payments.

If inflation moves more than one percentage point either side of the target, then the governor of the Bank will have to send an open letter explaining:

- why inflation has moved so far from the target;
- what policy actions will be taken to deal with it;

- when inflation is expected to be back on target and;
- how this meets its monetary policy objectives.

The chancellor, while not deciding rates himself, can tell the Bank how quickly he wishes it to address any overshoot or undershoot. This means he can stop the Bank cutting inflation much more quickly than people expect, which is when disinflation is most expensive in terms of unemployment and lost output.

City economists and the opposition parties decried the open letter system as a *de facto* loosening

of the target. Technically this may be true, but in a sense it simply recognises the inevitable limitations of inflation targeting. Policy-makers may set interest rates in the belief that they will deliver a given inflation rate in 18 months or two years, only to find that external shocks or disturbances push them off course.

"The thresholds do not define a target range," Mr Brown wrote to the governor of the Bank yesterday. "Their function is to define the points at which I shall expect an explanatory letter from you."

In recent years the governor would rarely have needed to reach for the inkwell. Underlying inflation has not been lower than 1.5 per cent for a generation and - more relevant - not higher than 3.5 per cent since 1992.

However, Mr Christopher Salmon and Mr Andrew Haldane, economists at the Bank of England, carried out an exercise in 1995 in which they constructed a model of UK inflation since 1960, assuming the authorities had pursued a 2.5 per cent inflation target.

They used this model to assess how inflation may have turned out had the economy been buffered by the disturbances typical of the period. They concluded that, even if monetary policy had always been well directed towards the 2.5 per cent target, there would have been a less than one-in-four chance of delivering it within one percentage point.

We cannot be certain whether the stability of inflation in the early 1990s is an aberration or a new norm.

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Full board uses meeting with premier to announce \$65m investment at components plant

## Ford backs welfare-to-work programme

By David Wighton, Political Correspondent

Ford yesterday backed the government's welfare-to-work programme after a meeting of its board with Mr Tony Blair, the prime minister. The board also announced a \$40m (\$65.2m) investment at its Enfield components plant in north London.

Mr Blair outlined the programme to Sir Alex Trotman, Ford's British-born chairman, and the full board, which was holding its four-yearly meeting in the UK.

Mr Blair's staff said Ford had agreed to work with the govern-

ment on the welfare-to-work package and had requested a further meeting to discuss what role it could play. The meeting at a London hotel was the first of a series Mr Blair plans with business leaders, continuing the dialogue he started in opposition.

Sir Alex described the meeting as "friendly and collaborative" and said the prime minister had been very supportive about issues the company raised.

Mr Blair also touched on the government's plans for a university for industry which he said were in line with Ford's approach to training.

But welfare-to-work occupied most of the hour-long meeting. Mr Blair said the programme could work only with the full co-operation of the private sector and he welcomed Ford's commitment to support it.

The government last week announced the appointment of Sir Peter Davis, chief executive of Prudential, the insurance company, to head a taskforce to advise on implementation of the programme. He is expected to draft in other business figures to help draw up proposals.

Mr Blair also stressed at the Ford meeting the government's commit-

ment to economic stability and flexible labour markets.

The company used the meeting to announce the Enfield investment, which will provide new production facilities for instrument panels. Mr Ian McAllister, chairman of Ford of Britain, said the news followed the recent announcement of a \$26m investment at the Ford plant in Swansea and was on top of the \$800m investment for the next two to three years, unveiled this year.

The Enfield factory supplies Ford plants in Britain, the US, Mexico, Germany and Spain.

● Ford's Jaguar offshoot made the

biggest improvements in quality in the past year among manufacturers studied in the annual quality survey by the international research company J. D. Power and Associates. Responses were gathered from more than 16,000 UK owners of two-year-old cars.

European makes of car were less reliable than Asian ones, the report said. Mr Dave Sergeant, J. D. Power European operations director, said: "Many of the leading Japanese vehicles in this study are built in the UK, proving that in the right conditions British workers are quite capable of building world-class vehicles."

### UK NEWS DIGEST

## Euro row in leadership race

Mr Kenneth Clarke and Mr William Hague, two of the three remaining contenders for the leadership of the opposition Conservative party, yesterday clashed over their contrasting policies on a European single currency. Mr Hague sought to harden his opposition to sterling's membership of a single currency, saying he "would fight the next general election on the platform that we would not abolish the pound".

He said the prospect of a single currency was fast receding, but warned it would be a "huge economic risk as well as an immense constitutional change - and I would ensure that the policy of the Conservative party is to be opposed to it".

Mr Clarke attacked the comments, saying that candidates would divide the party if they took a firm line on issues before the contest was over. In a letter to Conservative MPs, Mr Clarke, who is on the pro-European wing of the party, said: "There is no point in setting in train any review of policy if the leader sets down its conclusions on vital questions, including Europe, before the process even begins." James Blitz

### CONSTITUTIONAL REFORM

#### Minister moves to allay PR fears

Mr Robin Cook, foreign secretary, sought yesterday to allay concern among advocates of constitutional reform that the government believed the prospects for the 1999 European elections being held under proportional representation were diminishing. The government is likely to face pressure from European Union partners to bring Britain's voting system for the European parliament into line with other countries. Mr Cook said in an interview with this week's New Statesman magazine that he had "never disguised... that the timetable is very tight".

But he said ministers had not ruled out PR. "I want to see it happen. We are going to look very hard to see if we can make it happen," Mr Cook said. John Knappier

### EMPLOYMENT RIGHTS

#### Ex-BCCI staff win 'stigma' ruling

Innocent employees whose job prospects are ruled by the dishonesty of their employers could sue them for damages for the "stigma" they suffer, the House of Lords ruled yesterday. The case concerned two former employees of the collapsed Bank of Credit and Commerce International, who claimed they could not get jobs because of corruption and dishonesty associated with the bank. "Every attempt they have made to re-enter the job market in the financial services sector has been thwarted by their former association with BCCI," said their lawyer, Iain Law. Lord Nicholls said: "Employers must take care not to damage their employees' future employment prospects by harsh and oppressive behaviour or by any other form of conduct which is unacceptable today as falling below the standards set by the implied term of trust and confidence." Mrs Janet Caylor, head of employment law at City solicitors Simmons & Simmons, said the ruling was "a very valuable addition to the weapons of struggling employees".

"It is an extreme example of the price a business or liquidator may have to pay for unethical business practice. However, Lord Steyn warned such actions would be "inherently difficult" to prove and that it is "probable that many employees would be able to prove 'stigma compensation'". Jim Kelly

### SCOTTISH HIGHLANDS

#### Agency to help islanders by land

Highlands and Islands Enterprise, the development agency for northern Scotland, has been ordered to set up a special unit to help people living in the Highlands by the land they occupy and own it on a common basis. Mr Brian Wilson, the Scottish economy minister, announced the initiative yesterday at celebrations of the purchase of the Inner Hebrides island of Eigg by its 63 inhabitants. They raised £1.5m (\$2.4m) to buy it from Mr Mairi Eakhart Maruma, its German owner, for a trust based by the Highland local authority, Highlands and Islands Enterprise and the Scottish Wildlife Trust. An anonymous Englishwoman contributed \$900,000.

Mr Wilson said he wanted the new unit at Highlands and Islands Enterprise to be "pro-active as well as reactive". He said the stewardship of Eigg had over the past 30 years come to symbolise much that was wrong about the free market in land. James Buxton

### CARNAUDMETALBOX

#### \$16m expansion for aerosoplant

CarnaudMetalbox Aerosols (UK), the US-owned packaging manufacturer, yesterday announced a \$10m (\$16m) investment programme for its plant at Sutton, 15 miles south of London. The move has been prompted by customers such as Gillette and Procter & Gamble, who hope to grease sales in eastern Europe. CarnaudMetalbox's move underlines the importance of the UK as a springboard access into these expanding markets. Richard Many-Bruce

### ELECTRICITY

#### Competition pledge from mister

Mr John Battle, energy minister, yesterday said he would take responsibility for bringing competition to Britain's 25m electricity customers next year. He said at meeting with electricity industry chiefs that the "buck" would be on him.

Mr Battle said that trade department officials would monitor the industry's progress and another meeting with the industry leaders would be held in the autumn. He said he was committed to seeing competition introduced in 1998. He underlined his concern that it be done in a way that was "robust" and avoided chaos.

"I know who will get the letters of complaint it fails," he said. Simon Thornton

## Gun truce fails to halt 'punishment' attacks

Protestants in Northern Ireland are taking a stand against the "punishment attacks" which continue to be meted out by paramilitaries in spite of the formal ceasefire observed by the Combined Loyalist Military Command, the group which links the main anti-nationalist paramilitary units.

A community group in Belfast, the capital, has set up a helpline to intervene in local disputes and try to prevent the attacks, which often result in serious injury, mutilation and even death.

Beatings are exacted for everything from joy riding and drug pushing to assault, wife abuse, glue sniffing, public drunkenness and other "anti-social" behaviour. While the "loyalist" gunmen keep to their truce, their activists have continued to use beatings as a means to discipline their own ranks.

The Irish Republican Army, the military wing of Sinn Féin, uses such attacks in Roman Catholic areas to underline its control over local communities.

The problem is made worse by the low key presence of the Royal Ulster Constabulary, the Northern Ireland police force, who in many hard bitten bousing

### John Murray Brown on a response to Northern Ireland 'justice'

estates have found it difficult to win acceptance. Many locals are reluctant to report crime to the police, relying instead on the paramilitaries to exact retribution in their name. Community workers say there is ample evidence that people tacitly acquiesce in these attacks.

A report last month from the New York based Human Rights Watch blamed the RUC for contributing to the problem by "abandoning normal policing functions". The report said that "paramilitary organisations act as investigator, prosecutor, judge and jury and they carry out their own sentences".

The RUC says there were 64 "loyalist" beatings reported up to June 1, compared with 53 for the same period last year. On the Roman Catholic side, there were 49 republican attacks compared with 74 for last year.

This reflects the unofficial

moratorium on punishment attacks in place during the British general election campaign in April, to facilitate canvassing by Sinn Féin. But as one senior police official put it yesterday: "They seem to have started again with a vengeance."

The new community group calls itself Philios and was founded by the Stadium Youth and Community Centre in the Protestant Shankill Road. The group's spokesman Mr Sammy McCaw said: "What's been going on for the past few weeks has really brought things to a head for us. We believe it will get a lot worse unless we do something."

The group is the latest attempt to take a stand against paramilitary violence. The Families Against Intimidation and Terror and a separate organisation called Outcry are also mobilising public support to help victims.

Philios said this week: "Ongoing punishment attacks and the more recent shootings could continue to bring the 'loyalist' ceasefire into question and put further pressure on the peace process by giving reason to question the presence of the 'loyalist' representatives at the peace talks."



The 1997 toll so far

Jan 5 Belfast: Three men taken to hospital with 2nd degree burns, punishment shooting, and 2nd degree burns to his head by a gunshot.

Jan 12 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

Jan 13 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

Jan 14 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

Jan 15 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

Jan 16 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

Jan 17 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

Jan 18 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

Jan 19 Belfast: 18-year-old man taken to hospital with 2nd degree burns to his head by a gunshot.

## New proposals drafted to end EU beef ban

By Maggie Urry and George Parker

The government is preparing new proposals to put to Brussels in an attempt to end the beef export ban. The ban was imposed after the Conservative government announced in March last year that bovine spongiform encephalopathy - "mad-cow" disease - might cause Creutzfeldt-Jakob disease, the deadly human brain condition.

The decision to offer new proposals followed Wednesday's rejection by the EU's scientific veterinary committee of the certified herd scheme proposed by Britain. Mr Jack Cunningham, agriculture minister, revealed the plan in the House of Commons yesterday in reply to question from Sir Teddy Taylor, a Eurosceptic Conservative MP, who said the SVC's decision was a "slap in the face" to the government.

The new proposal would be for a lifting of the ban on beef from animals born after August 1 1996. "We are formulating new proposals along those lines," Mr Cunningham said, adding that the government was also continuing to push for the certified herd scheme.

From August 1 last year it became illegal to hold stocks of animal feed con-

taining meat and bone meal. It is thought that infected feed was the cause of BSE.

A reliable cattle "passport" scheme was also introduced on July 1 last year so that animals can be traced from birth to slaughter. That may give such a proposal a better chance of success in Brussels, although it may be slower to take effect as these animals would not yet be ready for slaughter.

Farmers have long been lobbying for such a scheme, and welcomed Mr Cunningham's statement. The National Farmers' Union said using a start date would allow farmers to plan ahead to a time when their beef would become eligible for export.

Mr Cunningham's frustration with the EU vets and his threat to ban "unsafe" beef imports demonstrates that the government's harmonious relations with Brussels on the BSE issue are under strain.

The minister said he was disappointed by the SVC's opinion, which expressed concern about five aspects of the certified herd proposal submitted to the European Commission by the previous government. It suggested lifting the ban on beef from cattle under 30 months old, which could be traced as only having lived in herds free of BSE for the previous six years.

## Praise for graduates in factories

By Peter Marsh in London

Graduates employed in factory production areas to bridge the gap between management and plant operators are playing a big part in improving UK industrial competitiveness, says a report today.

Use of graduate supervisors in factories has "grown sharply" in recent years, according to Mr Geoff Mason, a research fellow at the National Institute of Economic and Social Research.

Mr Mason examined the work and background of pro-

duction supervisors in 29 engineering plants - 10 each in the US and the UK and nine in Germany. He found that 20 per cent of the supervisors in the UK plants were university graduates, a much higher figure than during the 1980s. In Germany, about 85 per cent of supervisors had gained a high level of craft-based qualification - though not necessarily a university degree - while in the US the equivalent proportion was about 40 per cent.

With better educational qualifications than the

people traditionally doing the job of supervisor or "foreman" in factories, the graduates may be better able to see the wider picture and keep up to date with technical developments elsewhere," says Mr Mason.

Use of such supervisors in UK plants may be helping industry to narrow the skills gap compared with plants in Germany, in which supervisors have traditionally been drawn from the ranks of highly qualified technical people with shopfloor experience.

According to many com-

mentators, the efforts of these master supervisors in training other workers and overseeing jobs such as maintenance and production scheduling has been one of the main factors boosting productivity of German plants compared with their UK counterparts.

Mr Mason believed use of graduate supervisors in the UK is most advanced in plants using many semi-skilled production people, such as in the automotive parts, electronic and domestic appliance industries.

### AN INVITATION

#### A week of golf at the Ryder Cup in Valderrama

Monday, September 22 to Sunday, September 28 1997



Pearson, owner of the Financial Times, and its associate in Spain, Recoletos, invite you to the 1997 Ryder Cup in Valderrama, southern Spain. Watch Europe and America compete for this coveted trophy in the splendid surroundings of Andalucia. This very special package includes:

- Flights and all transfers in Spain • First class hotel accommodation
- Entry to all events at the Ryder Cup and the Pearson/Recoletos Pavilion
- Entry to the Pearson/Recoletos 'Ryder Cup Trophy' and Gala Dinner
- Services of special guides throughout the week.

The first eight people to book will receive complimentary tickets to the Ryder Cup Gala Dinner on Wednesday, September 24. To obtain full details of this event, simply call Richard Thomson on +44 171 873 3670 or fax +44 171 873 4381. The cost per person will be £3,500. Places are extremely limited so early booking is advised. (Closing date for bookings: Wednesday, August 20 1997)

#### ITINERARY

Monday 22	Depart Gatwick to Malaga	Friday 26	First match day
	Afternoon at leisure		
Tuesday 23	Day at leisure	Saturday 27	Second match day
Wednesday 24	Pearson/Recoletos Golf Tournament	Sunday 28	Final match day
	at Guadalmina Golf Club		Closing Ceremony
Thursday 25	Ryder Cup opening ceremony	Monday 29	Depart Malaga to Gatwick

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REPUBLIC OF POLAND  
MINISTER OF THE STATE TREASURY  
INVITES TO NEGOTIATIONS

Concerning Purchase of Shares in the Share Capital  
OF THE POZNAN PHARMACEUTICAL WORKS  
"POLFA" JOINT-STOCK COMPANY SEATED IN POZNAN

(Poznańskie Zakłady Farmaceutyczne "POLFA" Spółka Akcyjna z siedzibą w Poznaniu)  
The Minister of the State Treasury, acting on behalf of the State Treasury of the Republic of Poland, in accordance with Art. 33 par. 1 of the Law on Commercialisation and Privatisation of State-Owned Enterprises of August 30, 1996 (Dz. U. No. 118 item 561 as amended) invites offers from Potential Investors interested in purchasing at least 10% of shares in the share capital of the Pharmaceutical Works "POLFA" Joint-Stock Company seated in Poznań, hereinafter referred to as PZF "POLFA" S.A. or "the Company".

According to Article 36 of the above referenced Law, entitled employees will be offered a total stake of up to 15% of shares in the share capital of PZF "POLFA" S.A. free of charge.

According to Article 56 of the Law, at least 10% of shares in the share capital will be reserved to support the pension system.

According to the Resolution of the Council of Ministers, No. 86 of October 4, 1993, 5% of the share capital will be reserved by the State Treasury for reprivatization purposes.

PZF "POLFA" S.A. activities comprise: producing chemical products (including pharmaceuticals, medicinal chemicals and other substances of vegetable origin), beauty and skin care products, research and development in the field of chemical sciences, financial intermediary activities, performing services utilizing the Company's existing assets, and wholesale and retail sales activities within the scope of Company business, including export and import.

Parties interested in this invitation are kindly requested to contact the Polish Institute of Management Sp.z o.o. (PIM) acting adviser to the State Treasury on this project.

Address: Polish Institute of Management Sp.z o.o. (PIM)  
02-691 Warsaw, Orlowska St. 3, IX floor  
phone (22) 647 02 40; 43 66 51; fax (22) 43 87 50

The Polish Institute of Management Sp.z o.o. will disclose basic information on the Company to interested parties. Parties that sign the Confidentiality Agreement will also be provided with an Information Memorandum containing detailed information on the Company, privatisation procedure and content of indicative offers.

Transaction manager: Ms. Jagoda Szostek

Indicative offers from Potential Investors should be submitted by July 9, 1997, 3:00 p.m. Warsaw time.

The Minister of the State Treasury reserves the right to extend the deadline for submitting offers, to change the procedure, reject submitted offers or not to undertake negotiations without explanation.

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REPUBLIC OF POLAND  
MINISTER OF THE STATE TREASURY  
INVITES TO NEGOTIATIONS

Concerning Purchase of Shares in the Share Capital  
OF THE PHARMACEUTICAL WORKS "POLPHARMA"  
JOINT-STOCK COMPANY SEATED IN STAROGARD GDANSKI  
(Zakłady Farmaceutyczne "POLPHARMA" Spółka Akcyjna  
z siedzibą w Starogardzie Gdańskim)

The Minister of the State Treasury, acting on behalf of the State Treasury of the Republic of Poland, in accordance with Art. 33 par. 1 of the Law on Commercialisation and Privatisation of State-Owned Enterprises of August 30, 1996 (Dz. U. No. 118 item 561 as amended) invites offers from Potential Investors interested in purchasing at least 10% of shares in the share capital of the Pharmaceutical Works "POLPHARMA" Joint-Stock Company seated in Starogard Gdański, hereinafter referred to as "POLPHARMA" S.A. or "the Company".

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"POLPHARMA" S.A. activities comprise: producing pharmaceuticals, pharmaceutical substances, ready-to-use drugs as well as other semi-finished products and pharmaceutical products, conducting research in the field of pharmaceutical production, producing other special purpose machinery, retail and wholesale trade, including import and export of own and third-party products encompassing by the scope of Company business.

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## CONTRACTS &amp; TENDERS

REPUBLIC OF TUNISIA  
MINISTRY OF TOURISM AND  
HANDICRAFTS  
OFFICE NATIONAL  
DU TOURISME TUNISIEN  
ONTT

Sale of  
the Hilton Hotel

As part of the state's privatisation policy and the restructuring program within the tourist sector, the Tunisian national tourist board 'Office National du Tourisme Tunisien' (ONTT) is putting up the Hilton Hotel for sale. The five-star hotel is located in Tunis-Notre Dame, has 467 beds and covers a total area of 49,000 square meters.

Interested parties may obtain the specifications book from the following address as and from the publication of this notice, on payment of five hundred (500) dinars:

Office National du Tourisme Tunisien,  
1, Avenue Mohamed V, Tunis.

Interested parties may visit the hotel during office hours from 9 a.m. to 12 p.m. after having obtained the specifications book and made an appointment with the hotel's General Manager.

Bids, accompanied by the specifications book and all the required documents should be sent to the following address in two sealed envelopes, by registered mail:

Ministère du Développement Economique,  
Secrétariat de l'Unité de Privatisation,  
Place Ali Zouaoui, 1000 Tunis.

The outer envelope should be strictly anonymous and marked: "Do Not Open - Bid to acquire the Hilton Hotel."

The final date for the receipt of bids by the Bureau d'Ordre of the Ministère du Développement Economique is set for September 15, 1997; the seal of the Bureau is proof of date.

Any bid received after the closing date or not containing all the required documents will be rejected.

THE GREAT SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHYRIA  
GENERAL POPLULAR COMMITTEE OF HEALTH AND  
SOCIAL SECURITY

Announces the following medical supplies tenders (1998)

- \* Pharmaceutical products tender (1/27)
- \* Dressing, sutures, sundries, orthopaedic and cardiac surgery consumables (2/27)
- \* Medical laboratory consumables and reagents (3/27)
- \* Dental materials (4/27)
- \* X-ray films and materials (5/27)

Companies are invited to submit their offers according to the following conditions:

- 1- Offers for the pharmaceutical products tender (1/27) are accepted from manufacturer of pharmaceuticals for human use only.
- 2- The tender specification's Brochure for (1/27) and (2/27) are obtained against the payment of (250 L.D.) for each copy paid in major European currencies as specified in the general conditions
- 3- The rest of tenders (3/27), (4/27), and (5/27) can be obtained against the payment of (150 L.D.) for each copy paid as indicated in No. (2) above.
- 4- Authorised company employee only can obtain the tender specifications.
- 5- Tenders Brochures are obtainable from the following places as from 25.5.1426 B.M. (1997)
  - (A) National Company for pharmaceutical Industries:  
Fallah road Tripoli - Libya Tel:4801954 Fax:4801950 P.O.Box:10225
  - (B) Libyan Health Office "Bern" Switzerland  
Tel:0041319526555-0041319526556 Fax:0041319526852
- 6- Closing date of the submission for tenders offers will be 10/7/1426 B.M. (1997).

Offers should be forwarded either by hand or DHL or similar speedy carriers to the address of the tender committee:

- National company for pharmaceutical industries. Fallah road - Tripoli - Libya.

## LEGAL NOTICES

No. 1979 of 1997  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

IN THE MATTER OF J. BERRY & SONS  
PLC

AND  
IN THE MATTER OF THE  
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 2nd June 1997 presented to Her Majesty's High Court of Justice for (a) the appointment of a Receiver of the assets of J. Berry & Sons PLC and (b) the confirmation of the reduction of capital of the above named company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Judge at the Royal Courts of Justice, Strand, London, W.C.2A 9LL on Monday the 23rd day of June 1997.

ANY Creditor or Shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said petition will be furnished to any such person upon request by the undersigned solicitors on payment of the usual charge for the same.

Dated the 13th day of June 1997

ASHFORD MORRIS CRISP

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Solicitors for the above named Company

## BUSINESSES FOR SALE

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FINANCIAL TIMES

## CANTERBURY COLLEGE

Development Consortium Required.

Canterbury College intends to relocate to a new site near to Canterbury city centre in order to provide improved facilities for students within a modern comprehensive campus development.

The project, which will be financed by the private sector, requires a development consortium to:

- procure a suitable site and obtain planning consent for educational development;
- dispose of the existing site;
- finance, design and construct the new college, associated facilities and amenities (up to 30,000 sq metres);
- maintain and manage the new buildings and site;
- identify and develop compatible ancillary uses.

Interested suppliers will receive a Preliminary Information Memorandum for the project. This document includes a prequalification questionnaire which must be returned by 1 August 1997.

Contact: Mark Dave, Head of Corporate Services,  
Canterbury College, New Dover Road, Canterbury, Kent CT1 3AJ  
Telephone (01227 811 111) Facsimile (01227 811 101)

REPUBLIC OF TUNISIA  
MINISTRY OF EQUIPMENT AND HOUSING

Unité de Réalisation de la Cité Olympique

7 Novembre 1987 à Radès

International Tender No 08

Postponement of closing date

The Housing and Equipment Ministry's Unité de Réalisation de la Cité Olympique 7 Novembre 1987, informs parties involved with international tender No 08, relating to the technical control of the studies and construction of a 60,000-spectator football stadium at the Cité Olympique, Radès, that the closing date initially set for June 17, 1997, has been postponed to June 24, 1997.



## MANAGEMENT



John Kay

## Produced to price

The economic significance of an activity is measured by what someone, other than the producer, thinks it is worth

I wrote an article in 1980 which explained why a contraction of manufacturing industry was an inevitable consequence of the growth of British North Sea oil production. This was my first encounter with manufacturing fetishists.

The article proved to be very controversial - it was, incidentally, right.

Few critics focused on technical weaknesses in the argument. They said instead that what I was saying ought not to be true or, if true, ought not to be said.

I started to understand that for many people the role of manufacturing industry was an emotional issue rather than an economic one. "Surely you don't think that an economy can survive on hairdressing and hamburger bars?" No, I did not. Any more than I thought it could survive on steel and car production.

But because I was not in favour of manufacturing industry, I was regarded as being against it.

It seems that it is impossible to be a disinterested observer of the share of manufacturing in national income - any more than it is possible to be a disinterested observer of Eric Cantona, or a test match between England and Australia.

The origins of manufacturing fetishism might be better explored by a psychologist or an anthropologist, but let me have a go.

Thousands of years ago people hunted, fished and made primitive implements. If a man was good at these things, his wife and children prospered; if not, they died. From this we have inherited the notion of a hierarchy of needs - food and shelter running ahead of chartered accountancy and cosmetic surgery. With it comes a notion of a hierarchy of importance for economic activities - agriculture and basic manufacturing running

ahead of hairdressing and television programming.

All this ceased to have economic relevance, however, once technology advanced enough for it to be unnecessary to hunt and fish all day to get enough to eat - a state of affairs reached many years ago.

Once primitive tribes achieved this, they started to add discretionary activities to the fulfilment of their basic needs.

The services that came into production then remain representative of the services we buy today. There was the priest, who ward off evil; the bureaucrat, who ruled over the tribe; the repair man, who sharpened the stones and the knives - and eventually the insurance agent, who organised a scheme of mutual support for unlucky villagers whose cow died or whose house burnt down.

With the rise of a market economy came Adam Smith's division of labour. Specialist tasks were assigned to those best qualified to fulfil them.

As Smith noted, the division of labour was limited by the extent of the market, and the growth in the geographical scope of markets has steadily increased the division of labour. But even in the early stages of discretionary expenditure,

With the rise of a market economy came Adam Smith's division of labour. Tasks were assigned to those best qualified to do them

rewards became divorced from the place activities enjoyed in the hierarchy of needs.

You got paid only for goods that people wanted, but it soon became apparent that insurance and priestly services were among the things they did want.

Given that what you produced was wanted, earnings reflected the scarcity of the talents needed to produce them, and your position in the power structure of the tribe. The first explains why the insurance and repair men did well, and the second accounted for the prosperity of the bureaucrat and the priest.

Those who are lucky enough to have that power or these rare talents have often felt embarrassed by earning more than those who work to satisfy more basic elements in the hierarchy of needs. Often, they also enjoy occupations that are less arduous and more fun. The embarrassment is rarely very great, and does seem to have diminished recently, but emphasising the importance we attach to these other supposedly more necessary, but less well-remunerated activities, is a means of assuaging it.

Whatever the truth of all this, none of it should provide a basis for economic policy or industrial strategy.

There is a slightly more persuasive version of the intellectual confusion that tends to the view that manufacturing is special. This suggests that manufacturing output is more important than services because manufacturing, unlike services, is sold to foreigners. Of course, many services are sold to foreigners and many manufactures are not, but there is some truth in the stereotype.

But the real weakness in this argument points the way to the correct answer to the valuation of different activities. If what matters is the tradeability of output,

then why draw the line around the nation state? Why not draw it more broadly, or more narrowly? After all, neither the City of London nor a steelworks, could survive on its own. You cannot drink derivatives or eat steel. They survive and are valuable because - and only because - they can persuade people outside their boundaries to value their output. The output is valuable, not because it can be sold to foreigners, but because it can be sold.

So the economic significance of an activity is not measured by its place in some objective hierarchy of needs. It is measured by what someone, other than the producer, thinks it is worth.

That explains why almost all the lobbying which is done on behalf of allegedly important but neglected activities comes from producers who have failed to persuade other people to value what they do.

● The makers of high-cost goods which are already in excess supply, such as steel and textiles.

● The producers of the kind of films that people want to make but which audiences do not want to go and see.

● Farmers who grow foodstuffs at twice the cost of obtaining them from more favoured parts of the world.

● People who have advanced technological solutions to problems that do not exist.

Whatever industrial policy we are going to have, beware of any that is predicated on a consensus on which economic activities are more important than others. That is one judgment that is always better left to the market.

The author is a director of London Economics and director of the School of Management Studies at Oxford University. This column appears fortnightly.



Halma, the publicly quoted UK engineering company, has no time for the business fashion of focus. The aim of its highly successful acquisition strategy is to spread itself across a number of different industrial fields.

It is one of just two companies - out of the 20 middle-sized engineering leaders in Germany and the UK studied by the FT for this series - to take such an approach. Most consider it too risky and have generally avoided acquisitions of any sort.

Halma is a world leader in a number of niche fields such as ultrasonic cleaning equipment and fire detectors. David Barber, the chairman, bought into Halma in 1972, when it was a tiny investment business. Since then about 100 acquisitions have been made, mainly of small, private technology companies. Halma's sales and profits have grown by about 25 per cent a year and its 167-fold increase in earnings per share between 1974 and 1996 is unmatched by any other UK company.

The company's record is based on finding small organisations which have a technological lead in virtually any field of engineering. The key is that, in each area, the market prospects are relatively undeveloped.

Halma has eight operating divisions, each run by a chief executive who has responsibility for a range of individual companies in loosely defined technology categories. These eight divisions are in charge of 54 Halma subsidiaries, of which 25 are in Britain.



Barber: an 'encyclopaedic' knowledge of Halma's subsidiaries

## Very rare variety

Peter Marsh on engineering success by acquisition

Each is run as a small business, with few management layers and high levels of accountability. Halma's total sales last year were £173.6m - 60 per cent of these outside the UK - with pre-tax profits of £33.6m.

Judgments about which new companies to buy are largely left to the chief executive of each division or

"mini Halma". When a division becomes unwieldy - normally with 10 to 12 subsidiaries - they split, amove-like, into new ones.

Barber is described by Paul Compton, an engineering analyst at Merrill Lynch, the US bank, as having an "encyclopaedic" knowledge of all Halma's subsidiaries, yet combining with this the

sensitivity and skills required to devolve as many decisions as make commercial sense. "He's the most talented person I've met running an engineering company," he says.

Many purchases are companies which are competing in fields close to the areas already covered by existing parts of Halma. "In many cases, we know these companies extremely well as commercial rivals, sometimes better than they know themselves," says Barber.

But it has also taken on completely new technological ventures, such as the purchase last year of Keeler, a world leader in ophthalmic equipment. Ten years ago it moved into highly sensitive gas detectors used, for example, to monitor methane levels in waste dumps, through the purchase of a UK company called Crowcon, which then had annual sales of £700,000. Since then, helped by other acquisitions, Halma has expanded sales of this part of its business almost 30-fold.

In a similar way, Halma in 1983 bought a small company called Apollo, a manufacturer of microchip-based fire detectors. Apollo has moved ahead rapidly, selling 1.5m of its detectors a year in 90 countries, and is now the third biggest company in the world in this field.

The secret to making his strategy work, says Barber, is intensive management. "For every 16 employees throughout the group, we've got the equivalent of a top graduate as a manager, who works at putting the Halma strategy into effect."

This is part of a series on successful middle-sized engineering companies in Germany and the UK.

## Fathers win parental approval

With Father's Day on Sunday, a survey by Catalyst, a New York research company, concludes that companies are starting to respond to their male employees' changing parental roles.

About 49 per cent of fathers in the US rate themselves better parents than their fathers and 70 per cent say they spend more time

with their children. More importantly, their partners seem to agree, with 86 per cent saying they do a good or very good job.

Companies are starting to respond with father-friendly policies. While paternity leave is still rare in the US, a growing number of corporations offer such programmes, including sports-wear retailer Patagonia,

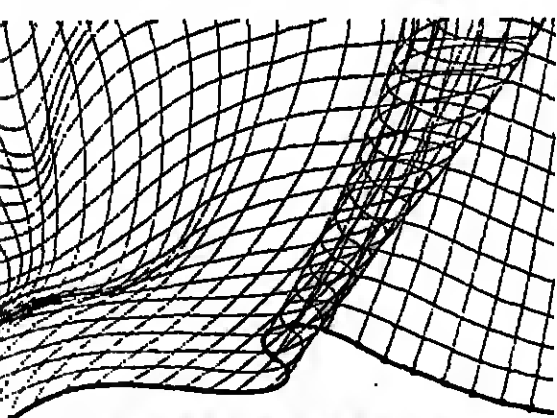
software group Lotus, and NationsBank. Under such programmes, fathers receive four to eight weeks of partial or full pay.

Yet women, the survey finds, still bear the primary responsibility for childcare. While 92 per cent of fathers with children under six are in the paid labour force, only 62 per cent of mothers are. Just 27 per cent of men

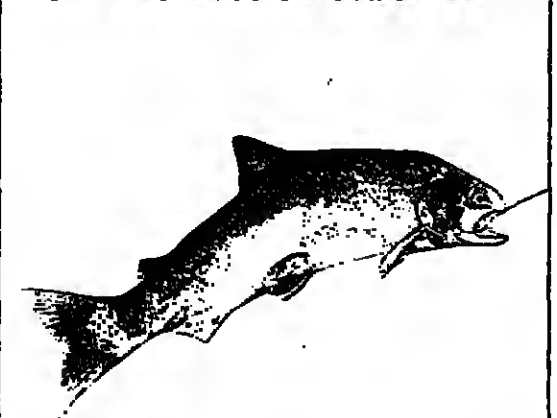
with children under 13 say they would sacrifice career advancement for more flexible work arrangements.

When men assume most of the childcare burden, it is primarily for financial reasons. About 67 per cent of stay-at-home fathers gave up work because their spouses' incomes were higher.

Victoria Griffith



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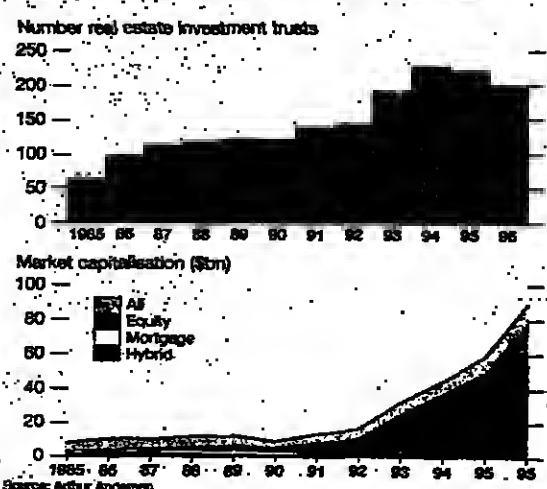
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## THE PROPERTY MARKET

## In search of the US grail

Mark Suzman on enticing investors back into property

## US real estate investment trusts



the market but also attract a wave of new foreign money, particularly from US investors who have been historically cautious about dabbling in the UK property sector.

Some optimistic analysts even suggest property should be compared with the US junk bond market in the pre-Michael Milken era: a large, illiquid market with the potential to transform itself into an investors' favourite.

In spite of a series of attempts over the years, all attempts have floundered in the face of Treasury fears about lost income. While representations by the industry to the previous government last year met with some sympathy, they did not lead to concrete results and there is little indication that Labour is likely to act any differently.

That in turn has refocused attention on alternatives that mimic the benefits of REITs.

According to David Sproul, a consultant at Arthur Andersen, the main difference is that, unlike previous attempts, the calls are being led by the pension industry rather than property owners.

that the institutions want more liquid property investments, but that they need them," Mr Sproul says.

A number of such investments are already available, including limited partnerships and offshore companies, which are closed-ended and tax transparent but may be unacceptable for some UK investors.

More recently, a range of synthetic structures based on index-related returns rather than ownership of property have been introduced, with new ones being proposed.

These have met with some success, but as specialist vehicles their attraction to investors is primarily as a hedging tool. It is too early to tell how broad their appeal will prove.

There was hope that authorised property unit trusts, introduced in 1991 and offering superior tax efficiency to quoted property companies, would provide the solution. Although recent interest has boosted the market, the total invested in such funds is still only about £300m.

One prominent - and promising - venture that could partially assuage such concerns is the £250m joint venture being set up by Dussco and Hermes, the fund managers.

It takes advantage of changes to stock exchange rules last year and aims to create a listed vehicle with substantial tax advantages over property companies.

Critics warn that ultimately the venture is still vulnerable to the risks of all open-ended funds - a run on shares would ultimately force sales of illiquid underlying property assets.

But stock exchange rules require the fund to have a substantial liquidity reserve. And Dussco is promising that the scheme - due to be listed this summer - will contain further devices to minimise illiquidity.

Until a REIT equivalent is approved by the government, there is widespread market belief that this is the most promising route available to reversing the decline in institutional interest.

As Mercury's Mr Mason admits: "It's not ideal, but for the sake of the property market we have to hope they are successful - and perhaps more important, that they are seen not to fail."

John Kay



# Musical melting pot

As the 50th Aldeburgh Festival opens, Stephen Pettitt talks to artistic director and composer Oliver Knussen

Oliver Knussen is an absurdly young elder statesman of British music. For 14 seasons he has been one of the two - initially three - artistic directors of the Aldeburgh festival. It has been a time in which the festival has often been criticised for resting on its laurels and for excluding certain composers.

None of it, Knussen insists, is true. When he first arrived at Aldeburgh, along with co-director Stuart Bedford and, initially, Murray Perahia, "there was an unhappy balance between the Britten side and the box office side of things. We tried to make it more into a festival made up of friends again, which it was in the first place, with a balance between the old and the new, creating a model for integrated rather than didactic, thematic programming." A difficult balance to strike, and he admits that he has not always got it right.

These days Aldeburgh, founded by Benjamin Britten in 1948, relies heavily on its audience's fidelity, trust and readiness for adventure. There is a sense of idealism about the programming that one can

only think of as a healthy thing. The 50th festival programme is a typical Aldeburgh mélange, with music by Britten placed with almost nonchalant daring alongside the core classical repertoire and new work.

Yet another forgotten Britten piece, the Double Concerto for violin and viola of 1932, sees the light of day for the first time. And Knussen conducts the world premiere of Alexander Goehr's *Schlussorgel* for viola and orchestra, after texts by Kafka - "a really important, substantial piece", says Knussen.

Michael Berkeley is the subject of the annual composer portrait, and most of the other concerts contain something slightly unexpected. Britten's spirit further asserts its presence with his cantata, *Saint Nicolas*, premiered at the very first festival, and with the City of Birmingham Touring Opera's highly praised production of the three church parables, returning to their home territory after doing the national rounds.

This year's festival starts today

with a double bill of music theatre pieces by Mark Anthony Turnage, *Twice Through the Heart* and *The Country of the Blind*. Loyal and open-minded Aldeburgh's audiences might be, but they are also of a certain, genteel kind, largely middle-class and in many cases at least middle-aged. Knussen is only too well aware of the problem of the limited demographic spread. "There's still nowhere near enough young people. We're just far enough away from London to make it difficult for people to get to. And the audience for *Owen Wingrave* isn't going to be very interested in Louis Andriessen's latest piece, which is a problem. But over the years audiences have come to trust us a little bit. We get away with doing a lot of the stuff you can't get away with in London."

And the isolation of Aldeburgh has made it something of a melting pot, a place of pilgrimage even, for the composers that visit, not all of them famous, not all of them to hear their own music. It is this kind of contact that Knussen clearly values most from his time here. And no, he insists, there really is no Aldeburgh mafia, though it is quite under-

standable why those composers as yet unsummoned might choose to think so.

Indeed if he is notorious it is not for his godfatherly ways but for his repeated failure to finish his own pieces on time. The very public non-delivery in 1984 of any completed score of his second Glyndebourne opera, *Hippolyte et Aricie* - it took a further six years to finish - began a long and dismal roll call. He tackles the issue head-on. "Oh, I do finish my pieces! It just takes a long time. If I spent 100 per cent of my time being a composer perhaps I could be more predictable. But I don't." Now, he says, when he accepts a commission it's usually with no deadline and it's not announced until the piece is delivered. "You learn these things gradually."

Not that he has become any more relaxed about the act of composing. He is currently working on a piano piece commissioned by Takemitsu before he died last year. (This is one piece that does have a deadline, the autumn opening of the new concert hall in Tokyo; fingers will be staying firmly crossed.) "There are various projects lying around in various states. I'm



Oliver Knussen: aiming for a festival 'made up of friends'

still working on *Chitra* [originally scheduled for the Proms two years ago] and I very much want to give *Hippolyte* a big overhaul. But the last year or two I've just been trying to balance my life out. I need to perform to make a living, but I also need to find time to think and to write." So Knussen's conducting will be more selective,

while next season, he thinks, will be his last at the helm in Aldeburgh. "I've been deciding what I am, and I've come down very much on the side of being a composer."

Aldeburgh Festival Box Office, High St, Aldeburgh, Suffolk IP15 5AX; Tel 01728-453643.

## Opera Verdi driven to the limit

No matter how much tugging and bearing went on, or how many pairs of hands joined in to help, the curtain at Tuesday's Royal Opera House revival of *Rigoletto* obstinately refused to go up. Evidently it knew something we did not.

After a brief apology Daniele Gatti left the pit and waited until it was clear the performance could continue. Then he started again from the beginning, which meant we heard the prelude twice. It was a high-boned account of it both times round, culminating in a noisy climax with blaring brass and smashing cymbals. Gatti likes to drive his Verdi to the limit and the result, depending on how close he gets to the edge, turns out either exciting or crude.

Unfortunately, this *Rigoletto* was plain crude. It may be that *Traviata* would work if it was painted in such unrelenting primary colours, but the subtle and shadowy world of *Rigoletto* demands a greater sensibility. Given a conductor who was prepared to allow them some freedom, the *Rigoletto* and *Gilda* might have made something expressive of their duets together. And what a splendid torrent of semiquavers Gatti unleashed in *Rigoletto's* grand "Cortigiani", but it would have been nice to hear the singer too.

How a harlotous less powerful than Franz Grun-derer would have managed, I do not know. German singers have not made much of an impression on Verdi operas since the war, but Grundherer has the strength and openness of tone, together with a ringing top, to make a significant exception to the rule. He rises to the big moments on a grand scale - a roaring lion of a *Rigoletto*, who rarely suggests any whimper of insecurity.

Ramón Vargas is wholly delightful as the Duke. It is a joy to hear this role sung by a voice much lighter than usual, so that the rhythms bounce lightly and the high portions of the vocal writing float on the breath. The only snag is that he looks too nice. The Duke of Mantua is one of opera's unadorned roles, but Vargas is the sort of friendly young man any girl would be happy to take home to father.

There is a sterling supporting duo from Enkeleida Shkosa as Maddalena and Robert Lloyd, sounding better than ever as Sparafucile. As for Viktoriya Loukianets's *Gilda*, this was not so much a performance, more a private vocal art therapy session. She refuses to look anybody on stage in the eye and devotes herself to constructing elaborately arty, fine-spun phrases, which might be beautiful if one was close enough to hear them. Somebody might remind her there is an audience out there as well.

Richard Fairman

## Theatre

### An affair of the heart

A friend of mine once speculated that the crassest line imaginable in a historical drama would be, "Hello, Chopin - my that's a nasty cough." To the best of my knowledge, it has never actually been uttered (although when Hugh Grant played the consumptive composer in the film *Impromptu*, his first and last speeches were both composed entirely of "ahem's"). David Abramovitz has the occasional discreet spasm over the 90 minutes of Bruno Villien's *Nocturne for Lovers* in Chichester's Minerva Studio, but is confined for the most part to the piano keyboard.

Kado Kostzer's production calls for a pianist rather than an actor in the role of Chopin, and Abramovitz fits the bill. His speeches - delivered diffidently in a hybrid accent mixing the performer's native New York with traces of French and a dollop of theatrical English - total perhaps 60 seconds.

His playing is infinitely more eloquent, although this too seems a little restrained at first, perhaps due to the unfamiliarity of a theatrical rather than a concert milieu.

The vast majority of the text is derived from the letters of Chopin's lover George Sand, and spoken by the enviably un-aged Leslie Caron - although almost half as old again as Sand when the events recounted end in 1849. Caron still carries some of the air which first endeared her to cinema-goers, looking

scarcely out of place in the writer's youthful masculine attire.

The fatal weakness lies in the piece itself. In effect, it is no more than two intertwined recitals - one spoken, the other musical. The performers occasionally respond to each other's material (Abramovitz to Sand's words, Caron to Chopin's music) but, even when in close proximity to one another, they never have an opportunity worth the name to interact.

Caron does her best to deliver her texts dramatically, with grand gestures and at one point a gratuitous puppet-show, but the real drama is not supplied by the material presented here; rather, we the audience must be willing to imbibe what we see and hear with both emotional heft and historical significance provided by a combination of extrinsic knowledge and programme notes.

The programme portrays this production as a labour of love: Caron's for Sand, Kostzer's for both the play and the actress he first saw on the screen as a child. As a first step from which to proceed, this is fair enough; as the only perceptible motivating passion, it is insufficient to invigorate a play which is not really a play at all.

Ian Shuttleworth

Minerva Studio Theatre, Chichester, until June 21 (01243 781312).



Enviably un-aged: Leslie Caron as George Sand in 'Nocturne for Lovers'

## Theatre/Alastair Macaulay

### The last seduction

Like umpteen plays these days, Anthony Neilson's *The Censor* contains a mutual masturbation and penetrative sex. More unusually - but still mildly by the standards of anyone who has read the Marquis de Sade - it also features an act of onstage defecation by way of fulfilling a sexual fantasy. The play itself, however, is really the latest update of the Abbé Prevost's classic 1733 novel *Manon Lescaut* (which has itself been deemed pornographic by some previous generations). Upright, repressed, principled, scrupulous chap is seduced by uninhibited sensualist girl. His principles start to go the way of all flesh. She dies. He is left distraught, a wreck.

In this case, he is a censor and a married man, she a maker of erotic film drama. One nice twist is that a large part of her seduction is simply designed to change his mindset, it seems probable that for most of the play she has little genuine sexual interest in him for himself. Another nice twist is that she really makes some progress on him; she does start to change the way he talks about modes of emotional and psychological expression in film and art. The play has several funny lines; and certainly you want to know what will happen next between them.

And yet *The Censor* is hardly a play. The dramatic dice are all weighted in her favour. (She has a name: Miss Fontaine.) He is an impotent weakling, a non-communicative cuckold, whose psychosexual peculiarities she susses out and fulfils with remarkably swift

ease. But then she dies. Shucks. We also see his wife, by the way. She manoeuvres around his impotence and her own adultery with quiet and patient drabness: a small and thankless role. When he is convulsed by sobs at the end, we know that it is because he has just heard of the death in New York of Miss Fontaine. His wife, however, thinks that it is because of his reluctance to meet her current lover. No, she doesn't understand him, but then, he has always been at pains to ensure she never should. It is hard to care for either of them, or for Miss Fontaine.

There is energy of the play is deliberately low, but it lacks tension. Were the censor (Alastair Galbraith) less passive, and were the spacing between him and Fontaine (Raquel Cassidy) more charged, the rhythm of the central scenes would seem less slack. Since Neilson is also the director, he must take responsibility.

The Royal Court Theatre has produced the play in the Duke of York's Theatre, and the most extraordinary feature of the production is that both acting area and audience are placed on the old stage. The "real" auditorium is left empty; indeed, you walk through it. On the way out, a handsomely amplified recording of the young Barbara Cook singing "Till There Was You" plays. If I recall aright, Stan Phillips selected the same recording for *Desert Island Discs* only last week. Fancy that.

At the Royal Court Theatre, Downstairs, Duke of York's Theatre, until June 14.

## INTERNATIONAL ARTS GUIDE

### ATHENS

CONCERT  
Odeon Herodas Atticus  
Tel: 30-1 323 0049  
● Koninklijk Concertgebouw Orkest with violinist Peter Zimmerman in works by Hindemith, Tchaikovsky and Beethoven; Jun 17

### BERLIN

CONCERT  
Konzerthaus Berlin  
Tel: 49-30-203090  
● Elias by Mendelssohn. Conducted by Achim Zimmermann, performed by the Berliner Singakademie and the Orchester der Komischen Oper Berlin. Soloists include soprano Lena Loutens, tenor Markus Schäfer and bass Thomas Quasthoff; Jun 15

OPERA  
Deutsche Oper Berlin  
Tel: 49-30-3439401  
● Katja Nabenkows: by Janáček. Conducted by Jiri Kout. Soloists

include Friedemann Kunder, Stefano Algieri and Ute Walther; Jun 17

### DUBLIN

EXHIBITION  
Irish Museum of Modern Art  
Tel: 353-1-671866  
● The Glen Dimplex Artists Award Exhibition 1997: display works by the six artists shortlisted for this year's award: the sculptors Stephen Craig and Dorothy Cross, painter Willie McKee, multi-media artist Maurice O'Connell, photographer Paul Seawright and the partnership of Phelan and McLoughlin who work with time-based art; to Jul 13

### JERUSALEM

EXHIBITION  
The Israel Museum  
Tel: 972-2 631 833  
● The Secret of the Golden Age: Works of the Golden Age of Islam, including a gold tiara, jewellery, medallions, Judaica, miniature books in gold and enamel bindings, metal monograms and engraved plaques; to Aug 25

### LONDON

CONCERT  
Barbican Centre  
Tel: 44-171 638 8891  
● Kathak Dance Company: performs traditional Indian Kathak dances, choreographed by Pandit Birju Maharaj to live music;

Jun 13  
Wigmore Hall  
Tel: 44-171 935 2141  
● Yasey Quartet: with pianist Pascal Rogé in works by Fauré and Schumann; Jun 15

EXHIBITION  
Royal Academy of Arts  
Tel: 44-171-4397439  
● 229th Summer Exhibition: the Royal Academy's annual Summer Exhibition brings together paintings, sculptures, drawings and models by many distinguished British artists and architects, displayed alongside works by members of the British public. The majority of works are for sale; to Aug 10

### THEATRE

Apollo Theatre  
Tel: 44-171-4945068  
● Popcorn: by Ben Elton. Directed by Laurence Boswell. The cast includes Patrick O'Kane and Dena Davis (prov end date); to Aug 31

### MADRID

CONCERT  
Fundación Juan March  
Tel: 34-1-4354240  
● Oscar Lopez Plaza: the guitarist performs works by Sor, Arri, Dyers, Moreno, Torroba and Koshkin; Jun 16

EXHIBITION  
Palacio de Velázquez  
Tel: 34-1-373-62-45  
● En La Piel de Toro: display of works from Spanish and Portuguese artists from the early 1980s to the present day;

to Sep 8

### MUNICH

OPERA  
Cuvillies-Theater - Altes Residenztheater  
Tel: 49-89-298936  
● Der Rosenkavalier: by Strauss. Conducted by Peter Schneider, performed by the Bayerische Staatsoper. Soloists include Felicity Lott, Susan Graham, Jan-Hendrik Rootering and Gottfried Homik; Jun 15

### NEW YORK

EXHIBITION  
MOMA - Museum of Modern Art  
Tel: 1-212-708-9400  
● Objects of Desire: The Modern Still Life: exhibition examining the development throughout this century of the still life genre, featuring works by Picasso, Magritte, Miró, Joseph Cornell, Jasper Johns and Christo; to Sep 2  
The Metropolitan Museum of Art  
Tel: 1-212-539-5500  
● Prints in the Age of Albrecht Dürer and Lucas van Leyden: exhibition presenting highlights from the Museum's collection of German and Dutch prints dating from 1470 to 1550; to Jul 13

### THEATRE

John Golden Theater  
Tel: 1-212-239-8200  
● Master Class: by McNally. Directed by Leonard Foglia.

### PARIS

#### EXHIBITION

Fondation Cartier pour l'Art Contemporain  
Tel: 33-1 42 18 56 50  
● Amours: exhibition celebrating images of love and romance, from Renaissance times to the present day. The broad range of artists represented includes Picasso, Munch, Rodin and Jean-Luc Godard; to Nov 2  
Musée du Louvre  
Tel: 33-1 40 20 50 50  
● La poltessse du goût: display of the collection of Antoine-Joseph Dezallier d'Argenville, a leading personality from French Enlightenment society. The exhibition features 50 drawings, including works by Dürer, Rembrandt, Raphael and Rosa; to Aug 25

### SAN FRANCISCO

CONCERT  
Louise M. Davies Symphony Hall  
Tel: 1-415-864-8000  
● San Francisco Symphony Orchestra with conductor Michael Tilson Thomas and guitarist Steven Mackay, keyboard-player Terry Riley, pianist David del Tredici and organist John Walker in works by Del Tredici, Harrison, Riley and Mackay; Jun 15

#### EXHIBITION

M.H. De Young Memorial Museum  
Tel: 1-415-750-3600  
● Life and Afterlife in Ancient Peru: exhibition featuring 200 pre-Hispanic Peruvian art works from the collection housed in Lima's Archaeological Museum and covering a 3000 year period before the 1532 Spanish conquest. The display includes

ceramics from the country's south coast cultures such as Nazca and a selection of gold and silver regalia used by the aristocrats of the pre-Inca world; to Aug 10

### TOKYO

EXHIBITION  
Tokyo Metropolitan Museum of Art  
Tel: 81-3 3823-6921  
● 18th Century French Paintings From the Louvre Collection: display of 77 works on loan from Paris, including pieces by Boucher and Fragonard; to Jul 13

### VALENCIA

EXHIBITION  
IVAM Centre Julio Gonzalez Tel: 34-6-3863000  
● Antes del Arte: display of work by a group of artists seeking to return to art which is based in the natural world; to Aug 31

### VIENNA

CONCERT  
Konzerthaus Tel: 43-1-7121211  
● Wiener Kammerorchester: with conductor Heinz Holliger, viola-player Tabea Zimmermann and violinist Pamela Frank in works by Mozart and Mendelssohn-Batholdy; Jun 15, 18

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European Money Wheel

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Financial Times Business Tonight



## COMMENT &amp; ANALYSIS

Philip Stephens



## Anyone but him

The half-declared purpose of the Tory leadership contest is to exclude the man who can return the party to power

Bemused, baffled, bewildered? Do not concern yourself. You are in crowded company. If you cannot make sense of the contest for the leadership of Britain's Conservative party, that is because there is no obvious sense to be made of it. So let's try.

I had promised myself I would not write again about the succession to John Major until it was settled. Who, cares about the Tories when Tony Blair is touching elbows with Jacques Chirac at the Elysée Palace and Gordon Brown is charming the bankers at London's Mansion House? Yet this contest holds a fatal attraction. Nothing is quite so beguiling as the self-immolation of a once-great party. This is politics at its most primitive.

The Tory contest has turned the rules of politics upside down. Choosing a new leader demands a fairly routine calculation. Sure, old rivalries and friendships count, but there is an obvious starting point. Who can win? Thus we knew within hours of John Smith's death in 1994 that Mr Blair would succeed him.

Not so for the sad remnants of the Conservative party. Its contest confounds us because its half-declared purpose is to exclude the candidate with a chance of returning it to office.

I am referring, of course, to Kenneth Clarke, the pugnacious former chancellor. This week he came top in the first poll of MPs with 49 of the 162 votes. He is the overwhelming choice of those in the country who still own up to being Tories.

But the rules reserve the choice to MPs. And, on present arithmetic, Mr Clarke seems likely to be miss the prize in a second or third round next week. Once dubbed the world's most sophisticated electorate, his colleagues have a snappy

new slogan. ABC they twitter: Anyone but Clarke. His crime: to admit that one day Britain might, just might, have to consider, just consider, joining a single European currency.

The anyone in this instance seems to be William Hague. In the first ballot the 70-odd votes of the hard-line Eurosceptic right split three ways. Peter Lilley and Michael Howard were forced to withdraw. John Redwood defied the odds to stay in the race. But Mr Redwood was once likened to the extra-terrestrial Mr Spock in Star Trek. Even this Tory party is not about to elect a Vulcan.

So Mr Hague, who took 41 votes, is the front-runner. His youth (at 36 he is eight years younger than Mr Blair) gives him a relatively clean record. He is said to be of the millennium generation, whatever that is. He is a centrist with Eurosceptic edges, sometimes anyway. Above all, though, he is not Kenneth Clarke.

The parallels with Mr Major's victory seven years ago are inescapable. Then the party determined to choose anyone but Michael Heseltine, the author of Margaret Thatcher's dethronement. Mr Major had no obvious form. He appealed to left and right. He was of a new generation.

Nothing is quite so beguiling as the self-immolation of a once-great party. This is politics at its most primitive

We should acknowledge the Tory party has always nurtured a certain vindictiveness. Thus Alec Douglas-Home succeeded in 1963 because he was not Rab Butler. Edward Heath was deposed under the banner anyone but him.

Former leaders too rarely say thank you. Lady Thatcher has never forgiven the party for her rejection. If they wanted someone else, the Conservatives did not deserve to win. And when Mr Major stood down six weeks ago, he saw sweet revenge in the chaos of an immediate contest. He had been tortured during his time in Downing Street. Let them do without him.

One might have thought, though, that this time the instinct for survival would have asserted itself. Here is a party at its lowest point since the 1830s. It will take a political earthquake to shift Mr Blair. The times demand cool judgment. Not a hit of it.

I do not wish to be unfair to Mr Hague. He is an intelligent, diligent politician. A mutual acquaintance who has worked closely with him describes the former Welsh minister as sharp, relaxed and courteous, a good minister and a shrewd politician. This observer has long thought he would in time make it to the top.

In time, Mr Hague's politics are half-formed. He entered parliament in 1989. He has spent his time learning the ways of Whitehall and Westminster. There has been neither time nor space to develop a world view.

A set of instincts - he is against a single currency, for capital punishment, against abortion - do not amount to a political philosophy. Friends say his ideological compass is more finely calibrated than ever was Mr Major's. But they have no proof. A quip doing the rounds at Westminster bears witness to the doubts. Mr Major, it goes, has

pledged his support. Mr Hague's advisers are terrified the news will get out.

Picture Mr Hague sandwiched between, say, Mr Clarke and Mr Howard and you will see what I mean about political weight and presence. And the civil war goes on. Mr Howard and Mr Lilley failed to win the crown for the hard right. The next best thing was to imprison Mr Hague.

Amid all this Mr Clarke protests the single currency is irrelevant in opposition. Why should the party tear itself apart over an issue it may never confront? There is cold logic here. And yet Mr Clarke misses the real explanation for the present condition of his party.

Saving the pound started off as an obsession in itself. Now it is the cloak thrown over an immense cavity in the Tory prospectus. The factions must define themselves as for or against the putative euro for a simple reason: they have no other points of reference.

In embracing liberal economics Tony Blair has remade the political landscape. He has robbed the Tories of their remaining enemy and taken the voters with him. The Tories are left stranded on barren ground with neither compass nor map. Past principles have been forgotten, ideas for the future have not been formed.

The party which has dominated British politics for most of the present century needs not just a new leader but a new purpose. I suspect Mr Clarke could begin to provide it. Not the grand philosophy perhaps, but at least a few signposts back from the wilderness.

There is talk at Westminster that he might yet win, that his young rival's campaign could yet be derailed by an unforeseen turn. Who knows? But of one thing I am sure. If it is Mr Hague, it would be cruel to congratulate him.

## LETTERS TO THE EDITOR

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## Empty calls are no substitute for action on tough, intricate issues

From Mr Harry L. Freeman

Sir, Professor Jagdish Bhagwati's essay, "Short on trade vision" (June 8), is long on hope and short on realities. He now sees President Clinton as bogged down and fears little will happen in Clinton II. Thus he attacks Clinton II for not keeping up the trade liberalising momentum.

First, a lot of trade liberalising is going on, much led by the US. For example, the US is trying to finish the transatlantic dialogue, a trade liberalising negotiation concerning mutual recognition of standards. Draft stuff it is, but vital to business.

Second, the US is pushing many reluctant Latin countries to some kind of regional free trade agreement. Some Latin countries cry "no fast track". Truth: the US does not need fast track for a negotiation that will not begin until mid-1998.

Third, the US is pushing hard for liberalisation of financial services, following the information technology

agreement and the telecommunications services agreement of early 1997. Beyond this, the World Trade Organisation's "built in" agenda is daunting enough and is itself a form of trade round.

Fourth, accession of leading countries to the WTO which agree to abide by WTO rules, such as Russia, China, Vietnam and Ukraine, can extend WTO rules to billions more people and achieve far more in proliferating trade rules than almost any new trade agreement imaginable.

Fifth, the US, by filing more than 85 complaints in the WTO dispute settlement mechanism, has chosen still another route to trade liberalisation - liberalisation by litigation.

Prof Bhagwati overlooks something else (which he has in common with others of the US trade community) - failure to appreciate that other priorities may be engaging the president. Most favoured nation status for China, more than a mere trade issue, is on the table. A

call for free trade by 2020 and fast track in the midst of the China MFN controversy borders on political insanity.

Prof Bhagwati calls for a Clinton declaration of a free trade goal by a date certain in the future. No-one is against the principle, but empty calls for grand and glorious free trade, alone won't get us there. We need action, not clarion calls.

Throughout the US trade community, the "good guys", there is a plaint for some big new trade round in the sky along the lines of past dramatic rounds. Time has passed them by. We're down to very tough, intricate, and unyielding sectoral issues: non-tariff trade barriers, standards, agricultural quotas etc. We need brain power to concentrate on how to tackle these issues, not calls for a repeat of a non-existent past.

Harry L. Freeman, 4708 Dorset Avenue, Chevy Chase, Maryland 20815, US

## Trade move could prove destructive

From Mr Bryan Cassidy MEP

Sir, The US Congress is walking a fine line on EU/US relations with regard to the new measure to strengthen the Helms-Burton Law ("US Cuba moves" reviving row with Europe", June 11).

Helms-Burton was immediately attacked in 1996 by members of the European parliament as illegal under World Trade Organisation rules and was seen by the European Union as provocative and liable to cause trade disputes. The European parliament debated and adopted an emergency resolution during its October 1996 plenary session in Strasbourg calling for the act to be challenged in the US Supreme Court as well as by the WTO.

Worries raised by the European parliament due to this controversial act include a so-called "hit-list" of companies throughout the world, including 147 EU businesses, which have been accused of dealing with the Castro regime in Cuba. Named Cuba's "Hall of Shame", it includes 27 British companies. The Act led to firm and very frank exchanges of views between the US Congress and the European parliament in Strasbourg in January of this year.

Trade wars have no winners. At a time when leading EU politicians dream of a free trade area embracing the US and the EU, it is sad to see political acts created that could destroy this special relationship. Democracy often follows free trade!

Bryan Cassidy, vice-president, European parliament delegation to the US, European parliament, 97-113 Rue Belliard, 1040 Brussels, Belgium

## Convergence should be the priority

From Mr John H. Birkett

Sir, While it is of course theoretically possible for Euro to go ahead in 1999 with the UK and France but without Germany, as suggested by Lord Cobbold in his letter of June 9, (and should also be a practical possibility), when has it ever occurred in history that an empire excluded its own imperial power?

Martin Wolf, in his volte-face ("A two-speed carriage") says the alternatives to Euro are frightening and talks of the difficulties of making it work after it starts. That is largely because its protagonists insist on putting the cart before the horse. The disparate European economies need to converge on sensible

bases and then maintain their convergence for several years (say five as a minimum) before any single currency should be introduced - and even then, only on the premise that a genuine political will existed among the people of the nation states involved.

John H. Birkett, 33 Nile Grove, Edinburgh EH10 4RE, UK

From Mr Patrick O'Brien

Sir, The present imbroglio over Euro should focus attention on the difficulty of UK business being part of a common market with France - which has a balance of payments surplus, 12 per cent unemployment,

together with a propensity to subsidise and protect all its industries with which the UK competes - while the UK has denationalised almost all industry, has a balance of payments deficit and low unemployment.

Unless Germany and France undergo Reaganite/Thatcherite economic reconstructions UK co-habitation with them will be impossible. Their subsidised and protected industries will overwhelm the UK's unless their economies collapse in the attempt. Either way the UK loses.

Patrick O'Brien, 2 Evening Glade, Ferndown, Dorset BH22 8DB, UK

## Europa • Martin Hüfner

## Lessons from the edge

Small EU states have come up with models that bigger nations should copy



Europe seems to be in the doldrums these days, judging from news headlines at any rate. The introduction of a common currency has hit a rockier road than expected. The expansion of Nato and the integration of eastern European countries into the European Union also appear more protracted undertakings than had originally been thought.

Worse still, Germany and France - the two presumed motors of European integration - seem to be paddling backwards in terms of economic performance. Unemployment continues to rise while budget deficits in 1996 were above the target levels required by the Maastricht convergence criteria.

Clearly, considering the expectation that monetary union will be introduced imminently, these developments could not have come at a more inopportune time. Rosy statistics would make it much easier for French and German politicians to convince their electorates of the practical benefits of European economic and monetary union. By contrast, bad numbers create suspicion and even fear.

And yet, in spite of these sombre circumstances, it would be a mistake to write Europe off. Many have already done so. There is even increasing talk of an end of the "European model". That view is off the mark because it is unfair to look - as so often happens - just at Germany and France when judging the economic performance of the EU countries. The "big two" are no longer the leading indicators of change in Europe. They may, more appropriately, be viewed as lagging indicators.

Beyond Paris and Bonn, there is ample evidence of the vitality of the European economy. The Netherlands last year had an unemployment rate of only 6.7 per



Amsterdam: lifestyle is the key Photograph: Tony Andrews

cent, compared with 12 per cent in 1993. Moreover, the Dutch have done away with an overly generous welfare policy that had allowed, for instance, one-sixth of the country's working population to receive disability benefits rather than go to work.

Part of the Dutch lesson is that the electorate, if dealt with fairly and straightforwardly, is prepared to accept cuts in benefits. In addition, the Dutch solution to high unemployment emphasises part-time work as a preferred lifestyle: the number of part-time employees in the Netherlands, at about one-third of the workforce, is double that of Germany.

To their credit, the Dutch have adopted a realistic approach to the issue of pay and benefits. People choosing part-time work get full social security benefits while their wages depend on the amount of work they actually undertake. That is very different from ill-fated approaches in other countries, such as Germany, which put the emphasis on shortening the working week, while continuing to pay the full wage.

Denmark provides another good example of how Europe may be reinvented from the so-called "periphery".

Although located in supposedly ultra-hermionous, social-minded Scandinavia, Danish entrepreneurs have a flexibility in terms of hiring (and firing) which their German and French counterparts can only dream of. Such flexibility creates considerably more productivity at the company level.

And even Sweden - that erstwhile model of over-spending by the public sector - has proved that it can bring deficits down significantly. Its budget deficit is expected to meet the Maastricht criterion of 3 per cent of gross domestic product this year, after falling from 13 per cent in 1993.

Austria is a similar case. Its budget deficit in 1997 is forecast to be 3 per cent of GDP, compared with nearly 6 per cent in 1995. Last year, in an innovation, Austria presented a two-year budget in order to avoid politically painful debates every year over the need to trim government expenditure. While annual battles may add to the political melodrama, they do little to enhance the effectiveness of the governing process.

These examples from second-tier European countries may be just a series of coincidences. But we should not

lose sight of the fact that the revitalisation of the European economic model is already well under way. Clearly, the repair crews are out in many countries.

For all their current resistance, the electorates in France and Germany - the laggard countries - will want to share in the success story. They will demand similar changes on the home front. Preserving benefits at present levels may be comforting, especially for organisations with vested interests such as trade unions. But most citizens have realised that the more they resist change the faster their countries slide down the slippery slope.

What is missing at this critical juncture is the courage by governments to assume responsibility and act. As demonstrated by the cases cited, it is possible to preserve society-wide consensus while agreeing on cutbacks.

This is perhaps the vital lesson to be learned by Germany and France from the recent experience of some of the smaller European nations. In the spirit of true European integration, the French and Germans ought to accept these lessons as valid for themselves, rather than use "consensus" as a code word for essentially doing nothing.

It is ironic that this state of affairs - a European economy reformed not from its centre but from its periphery - is not yet fully understood within Europe itself. All too often, countries such as Denmark, Sweden, and the Netherlands complain that too much "power" is in the hands of France and Germany.

I wonder just how relevant this dimension of institutional politics will prove to be in the ultimate analysis. In my view, many French or German leaders would gladly trade their country's institutional "power" for a stronger economic performance. That is why, contrary to standard EU folklore, the smaller European nations may very well be better off these days than their larger counterparts.

Dr Martin Hüfner is chief economist at Bayerische Vereinsbank, Munich



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## COMMENT &amp; ANALYSIS

## The FT Interview • Claude Bébear

## FINANCIAL TIMES

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## Indian party's flawed choice

In electing Mr Sitaram Kesri as its president, India's Congress party, which has dominated the country's politics for half a century, seems determined to accelerate its own decline.

At 78, Mr Kesri is too old to appeal to a broad swathe of younger Indian voters. His abortive attempt to dislodge the United Front government this spring was ill-timed and embarrassing for his party. Apart from the fact that he was regarded to have himself elected party president, Mr Kesri does not even come across as a competent schemer.

The willingness of Congress to overlook all this prompted supporters of defeated candidates to accuse Mr Kesri of rigging the poll. There is no evidence for this, but at the very least Congress appears to have become even more inward-looking since last year's general election. Then it was swept to resounding defeat by a tide of popular disgust with the corrupt government practices it had grown to represent.

Yet it is still a matter of regret that Congress appears to be dashing its own election hopes by choosing Mr Kesri.

True, the party's decline is a further symptom of a sea change in Indian politics, prompted in part by economic reforms which have given new freedoms to state governments. This is taking India away from

its old centralism towards a more devolved approach in which caste divisions are blurred and regional parties have an increasing say. But it is a slow process, and India still needs stability at the centre.

The present United Front coalition is an odd assortment of leftwing parties and reformers whose own prospects have been called into question by corruption scandals. Given that, its achievements have been remarkable. It has asserted the need for more economic reform and promoted vastly better relations with neighbouring countries. Much of the latter could be lost if the nationalist-leaning BJP won a new election. A strong Congress is positive for the political balance.

For the longer term, India must look to challenges other than the rejuvenation of old parties. A new relationship between state governments and the centre requires institutional reform.

In a more federal system the presidency and the judiciary must hold the country together by acting as impartial referees between the states. For that they must acquire new integrity, skills and respect. Mr Kesri has had little to say in these issues. Next month's election of a national president may turn out to be a much more significant poll than the choice of the Congress leader.

## Machine mergers

Thyssen's \$675m agreed bid for Giddings & Lewis may be a modest move by the standards of many industries, but in the maintained world of machine tools it is unprecedented. The German group's proposed acquisition of the US's top machine tool company would create the western world's largest manufacturer, leap-frogging Germany's Trumpf. Only Fanuc, Amada and Yamazaki Mazak of Japan would be bigger.

Thyssen's trans-Atlantic leap suggests that the industry could be ripe for a wave of cross-border consolidation. The same forces of globalisation which have driven together the industry's important customers, including motor manufacturers and electrical equipment makers, are bearing down heavily on machine tool companies.

The industry is no stranger to global competition. It is over 20 years since US and western European makers fought to limit Japanese machine tool exports. Today, the world's top 10 exporters include South Korea and Taiwan, with China not far behind.

Over the years, leading makers have built substantial international operations. For example, Cincinnati Milacron, has 15 overseas factories alongside 18 in America. Giddings & Lewis has a UK subsidiary and Thyssen a plant in Detroit.

Bigger companies have swal-

lowed smaller rivals. Minor manufacturers have often sold out in the face of international competition, particularly in mainstream non-specialised products. Sometimes, makers have merged to benefit from the growing standardisation of components across different kinds of machine tools.

But mostly machine tool makers seem to have seen takeovers as a last resort. Giddings & Lewis is itself jumping into Thyssen's arms only to escape a hostile bid from Harnischfeger of the US.

Machine tool companies like to think they are a breed apart, immune to the pressures which drive others to surrender their independence. They argue that successful machine tool companies have often grown around one technology - such as computer numerically controlled (CNC) machines at Fanuc - or one market - such as motors at Thyssen. The best machine makers do well, they claim, by sticking to their lathes.

The industry's history suggests there is some truth in these arguments. Yet, it is difficult to imagine that Thyssen's acquisition will turn out to be unique. Thyssen says the deal combines its financial strength and global market reach with Giddings & Lewis's leading position in the US. It is not difficult to imagine other mergers with similar potential benefits.

## UK inflation

The marching orders issued yesterday by Mr Gordon Brown, the UK chancellor, to the Bank of England look tough but sensible.

They complete the arrangements for giving the Bank operational independence. It follows an announcement of the plan on May 6, within days of the general election, and the appointment a month later of four outside experts to the Bank's new monetary policy committee.

Mr Brown's decision to narrow the inflation objective to a single figure from the range favoured by the previous government signals that this is a target that must be hit. Too often in the past the inflation targets have appeared to be more of an aspiration for the future than a precise policy objective.

As Mr Brown recognised in a letter to the Bank's governor yesterday, there has to be some margin for error. He says that if inflation is a percentage point or more above or below the target, the Bank must send him an open letter saying why this has happened and what it intends to do about it.

However, changes to interest rates may not affect economic growth, and hence inflation, for up to two years, during which time many other influences may change the outlook.

The Bank's own inflation projections are expressed only as a series of probabilities. In its May inflation report, for exam-

ple, it said there was a 10 per cent chance that the rate would be close to 3 per cent in two years' time but a 60 per cent chance that it would be in a range between about 1½ per cent and 4 per cent.

Against such uncertainties, Mr Brown's rule might appear harsh. It should be seen more as a way of bringing inflation management into the open than as a way of applying stick to the Bank.

Under the new system the Bank will also have a duty to support the government's economic and employment policies "without prejudice" to its inflation target. This proviso and the duty to explain lower than expected inflation are sensibly aimed to prevent the Bank from being over-zealous in raising rates.

In turbulent times, a chancellor might reject the Bank's proposals, emphasise the jobs clause and use the procedure to meddle again in monetary management. But Mr Brown's recent actions must acquit him of such intentions.

His first target, of 2.5 per cent, is above the EU average. However, after a deplorable inflation performance in recent decades, the UK needs a credible objective which will be met. To this end, Mr Brown's emphasis yesterday on the support of prudent fiscal policies is welcome. In his Budget on July 2, he must show that he means it.

## Instincts of a corporate hunter

Andrew Jack and Andrew Gowers on the strategy of Axa's chief

**M**r Claude Bébear, chairman of Axa, the giant insurance group, smiles when asked where he is taking his top 250 executives for a week of team-building this month. Leaning forward in the large white chair in his Paris office, he says cryptically: "Nowhere."

Over the previous decade, he has hosted his senior managers in the Nigerian desert to debate the company's direction, on the Orient Express to appreciate the diversity of Europe, and at the Great Wall of China to learn about the growing Asian market.

This year, accompanied for the first time by participants from UAP, the French-based insurer with which he has just orchestrated a huge merger, Mr Bébear has chosen an ocean-going vessel far offshore as the site for what he calls a "cyber odyssey". He says participants will learn about the importance of new technologies for business, while discussing "the constitution of a common corporate culture".

It is typical of the bold and somewhat unorthodox approach of this French businessman. Since he became chairman in 1982 of Mutuelles Unies, which later became Axa, he has converted an obscure mutual company based in Rouen into one of the world's largest financial groups, with total revenues last year of \$63bn and funds under management of \$500bn.

Such team-building is also increasingly necessary for a group that has grown as quickly as Axa, largely through acquisition. Mr Bébear, whose trophy-lined office bears witness to his passion for game hunting, shows little sign so far of indigestion.

In the past, he has successfully sighted such prey as the Equitable of the US, Wing On Life in Hong Kong and National Mutual of Australia. But after the UAP merger, approved last month by shareholders, the Axa chairman implies that he may be temporarily laying down his rifle. "We have achieved our target," he says. "Today, we are really global. We are the most international insurance company in the world."

He says one reason for the group's rapid expansion has been because it has diversified its risks. Only a third of revenues come from France - a proportion he expects to drop to a fifth in the coming decade. "There is no country generating more than 20 per cent of our profits. Other-

wise, if a specific market is in trouble, we would be in trouble." Equally, he says that international growth has been the best way to meet intensifying competition. "There is consolidation in insurance taking place around the world. Other companies are moving fast. It is the very big ones that will do the business."

By the turn of the century, he wants all his subsidiaries to be using the Axa brand label. Even those with their own well-established identities such as the Equitable of the US will change names. "Customers increasingly want the reassurance of a very powerful global name," he says.

Some analysts have expressed concern about the pace of Axa's expansionism, notably the FF41bn (\$7bn) paid for the merger with UAP, which was owned by the French state until its privatisation in 1987. But Mr Bébear says he can do more than incumbent managements to improve returns for investors. In the case of UAP, he says: "The company was not really profit-minded and often did things for political reasons rather than looking at the quality of the business. They were in some business because of the prestige. It was considered by different governments that when companies were privatised, UAP must have a stake."

Axa has started to impose its mark, selling equity participations and launching a restructuring process which has already persuaded a number of top UAP executives to leave. He admits that there have been some unpleasant surprises, including its inadequate life assurance reserves, the cost of its domestic sales operation and the poor health of its Italian business.

Axa and UAP complemented each other, he says. Shared ideas and economies of scale, such as in reinsurance and purchasing costs, should save the combined group more than FF2.5bn a year by the start of the next century, he predicts.

More generally, Mr Bébear rejects suggestions that Axa may be becoming too large and unwieldy to manage as a result of its multiple acquisitions. He says the secret of successful mergers - notably across national boundaries - is not to treat subsidiaries as "colonies". He talks instead about decentralised control, with decisions in just a few sensitive areas made at group-level, including a right of veto on the appointment of top executives. Even within Europe, Mr Bébear



stresses that, in spite of the European Union directives designed to create a single market for insurance, important differences persist between nations. "Gradually, the rules will become more similar and the laws will be more and more Europe-wide," he says. But "it will take perhaps 20 years."

In France itself, he shrugs with indifference at the prospect that a foreign group might take over the troubled state-owned insurance group GAN and try to challenge Axa's dominant position. "The mutuals are the real rivals here. They are much more aggressive than traditional companies because they do not have the same philosophy."

**I**t is in his country of origin that he is making most waves. The merger with UAP means the combined groups hold some domestic equity participations that are too large for comfort. Last month, for example, it sold FF2.5bn worth of shares in Banque Nationale de Paris (BNP) and Elf, the petroleum group. "The maximum shareholding you should have in a company if there is another majority shareholder is 10-15 per cent," he says. "We should not invest more than 1 per cent of a subsidiary's assets in a single placement."

He says "there are no no-go areas" protected from potential

sales, including Paribas, the French financial institution with which it has an important cross-shareholding. But both Paribas and BNP remain "strategic" investments, he adds quickly.

Ironically, while Axa has hunted down a number of quoted companies, it was itself for a long time shielded from stock market raids because most of its shares were held by a network of mutual insurance companies and by Paribas and were not freely quoted. The combination of the unwinding last year of its cross-shareholding with Generali, the Italian insurer, and the acquisition of UAP has diluted the mutuals' hold to just a quarter of the total capital and a third of the voting rights.

Mr Bébear believes the mutuals were necessary to protect Axa while it made long-term strategic investments - such as the acquisition of the Equitable to which his shareholders were hostile. But now he says Axa's own FF120bn market capitalisation provides a sufficient defence from takeover, and that the mutuals' stakes could fall ever further.

An advocate within Axa of a shift towards a four-day working week - accompanied by a proportional reduction in salary - Mr Bébear says he is already implementing the system for himself. He takes increasing care when filling his diary and delegates

many jobs to his colleagues.

That leaves him free to focus on strategy. Having made Axa the world's largest insurance company, his vision is to outstrip AIG of the US, which he admires as the "company of reference" for the sector. His aim is for Axa to take on that mantle itself.

The question is whether a successor to Mr Bébear will have the ability to achieve this goal in a group that has been so single-handedly moulded. Mr Bébear says he will probably retire in three years, aged 65. "The people on whom I rely are extremely capable, so I don't see the future as a possible problem." He will not reveal the identity of his successor, although he says that in case of emergency, he has the name of someone in a sealed envelope for his board. In a sign that he continues to play his potential successors off against one another, he adds that he changes the name in the envelope "from time to time".

Mr Bébear is likely to drift passively towards his retirement. He says Axa will be kept busy digesting UAP for the next two years. But then, with a glint in his eye, he begins to reel off regions where he believes the group needs to grow: the UK, the US and Asia among others. "I am sure there will be very good opportunities." The hunter's instinct is far from exhausted.

## OBSERVER

## ILO eyes Somalia

Something of a bandwagon appears to be rolling for Jean Somavia, Chile's ambassador to the United Nations, to be the next head of the International Labour Organisation.

Delegates at the UN agency's annual conference in Geneva say Somavia's driving role in the UN's 1995 Social Summit in Copenhagen, Japan, and his leading countries' efforts to get the nod from the UN, which sees Chile as a useful ally. Trade union representation will be placed by Chile's decision this week to disassociate itself from a developing country statement at the conference attacking

alleged ILO surveillance of labour standards. All this might seem a touch premature, as ILO director-general Michel Hansenne isn't due to move on for two years. But there's speculation in Geneva about an earlier "mega-diplomatic deal" involving the heads of several UN agencies. Secretary-general Kofi Annan last night confirmed that the new UN human rights commissioner - while former Norwegian premier Gro Harlem Brundtland is tipped for the top job at the World Health Organisation next year, UN leg-

islation that also encourages should get their share of future jobs, giving a further boost to Somavia's chances.

## Nordic nous

Designing Sweden, and various parts of the Stockholm stock exchange, before will be in the line in planning that he could stand as a candidate for the post of director-general of the ILO, which sees Chile as a useful ally. Trade union representation will be placed by Chile's decision this week to disassociate itself from a developing country statement at the conference attacking

alleged ILO surveillance of labour standards. All this might seem a touch premature, as ILO director-general Michel Hansenne isn't due to move on for two years. But there's speculation in Geneva about an earlier "mega-diplomatic deal" involving the heads of several UN agencies. Secretary-general Kofi Annan last night confirmed that the new UN human rights commissioner - while former Norwegian premier Gro Harlem Brundtland is tipped for the top job at the World Health Organisation next year, UN leg-

islation that also encourages should get their share of future jobs, giving a further boost to Somavia's chances.

## Dogged leader

What would the systematic development of the Nordic model be? The Nordic model is a very clear one: in the Nordic region, and especially in Sweden, the state has a very strong role in the economy, and this is the basis for the Nordic model. The Nordic model is a very clear one: in the Nordic region, and especially in Sweden, the state has a very strong role in the economy, and this is the basis for the Nordic model.

## Hue and cry

The recent pinkish turn in European politics is reflected, vividly on the third floor of the Dutch central bank in Amsterdam, scene of next week's EU heads of government summit. The room, where Britain's Tony Blair and Lionel Joseph of France's deeper-hued Socialist government will seek a harmonious European future is painted pink, coral, fuchsia and crashed blueberry. The carpet - baby pink plaid with pale blue - is reminiscent of a half-melted ice-cream.

## 50 years ago

Disruption in France. The movement in France stimulated by the active National Federation of Small and Medium Enterprises against what are considered excessive State controls of industry and trade has won substantial concessions from the government. A demonstration of 60,000 people in the Velodrome d'Hiver in Paris provided proof of the strength of the federation and of the popular support it enjoys. The strike of Paris shops and smaller factories called and businesses fixed for 4th June by the Federation has been called off because, bowing before the storm, the French Government gave important concessions.

A Gracious Lady Honoured Princess Elizabeth yesterday became the youngest Freeman of the City of London. The Lord Mayor, Sir Brinsford Smith, said this was "the nation's recognition and the City's acknowledgment of a very gracious lady." It was an honour which the Princess claimed by "absolute and indefeasible" right of patrimony as the free-born daughter of her Father, the King. She came as a Sister of the Drapers' Company of the City of London. [The Princess is now Queen Elizabeth II.]











## COMPANIES AND FINANCE: EUROPE

Agents warn that plan to offer non-life products through 17,000 branches could threaten jobs.

## French post office in insurance move

By Andrew Jack in Paris

The French insurance industry reacted angrily yesterday to plans by the country's post office to begin selling non-life insurance policies throughout its 17,000 branches, in association with a private-sector insurer.

FNSAGA, the national federation of general insurance agents - the self-employed sales representatives for the country's commercial insurance companies - met in emergency session and warned that the move could jeopardise the livelihoods of its 50,000 members.

Other commercial insurers were also irritated by the move, following their long-standing campaign against the post office, which they claim distorts competition by diversifying into the sale of financial services while remaining exempt from taxes and other obligations imposed on its rivals.

The move was provoked by the news that talks are under way between the post office and several insurers, including Assurances Générales de France, privatised last year, which could lead to the sale of non-life insurance products in 1998.

The action comes after an informal accord expired at the end of last year, under which the post office had agreed with commercial insurers it would not sell non-life insurance products.

The post office already sells life insurance in conjunction with CNP, the state-owned insurer, and also had a one-year contract for life insurance with AGF in 1995 which generated FF4.9bn of business.

The conflict could prove embarrassing for France's new Socialist government, which is committed to maintaining the country's public services, but would be loath to take

action that might lead to the loss of jobs in other sectors.

It could also lead to tensions within the influential FFSA, the French association of insurance companies, which includes both mutual and commercial insurers, and to which AGF is affiliated.

A similar rupture took place within the French banking sector three years ago when Mr Jean Peyrelevade, the chairman of the state-owned Crédit Lyonnais, resigned from the Association of French Banks after a FF60bn (\$8.62bn) government rescue package was criticised by rival private sector

bankers in the organisation as a distortion of competition.

The post office argues that to meet the costs of maintaining its extensive branch network, it needs to diversify into financial services and to benefit from lower local business rates. Its argument was upheld in a recent judgment by the European Court - against which the FFSA is appealing.

There has been a revolution in the distribution channels for French insurance over the last few years, with a number of providers linking with banks to sell both life and non-life products.

## Cairo privatises textiles group

By Mark Hubbard in Cairo

The Egyptian government yesterday fully privatised El-Nasr Clothing and Textile Company (Kabo) - the first such sale in a strategic industry.

The issue of shares in the Alexandria-based company was oversubscribed, with 1.9m shares being sold at E£102 each.

The sell-off is only the second this year and brings to five the number of companies in which a majority of government shares have now been sold.

"What the government is trying to stress here is that it's committed to privatisation," said Mr Ahmed El Helw, of InterCapital Securities, which handled the sale of 1.1m of the 1.9m Kabo shares, many of them to a consortium which plans to restructure the company.

Kabo saw a 28 per cent fall in earnings and a 17 per cent drop in revenues in 1996, which it blamed on a recession in the sector and reduced purchases by public-sector department stores.

The sale came as the government announced new figures for the number of companies it intends to privatise by the end of the year. Mr Atef Obied, minister for public enterprise, said this week that 88 companies would be partially sold off by the end of June, and 108 by the end of the year, one fewer than the target he announced in January.

However, he did not say what proportion of the government's stake would actually be offered.

Cairo financiers believe the government is missing opportunities to attract core investors by retaining the largest single shareholder in many of the companies it offers on the stock exchange.



François Michelin: regulation in the European car market 'imposes itself brutally' and raises the cost of vehicles

## Michelin criticises excessive regulation

By David Owen in Clermont-Ferrand

Mr François Michelin, head of Michelin, Europe's biggest tyre maker, yesterday hit out at the "hyper-regulation" of the European car market.

He used his traditional annual address to the tyre group's shareholders to argue that excessive regulation was responsible for the market's current lack of vitality. It "imposes itself brutally" and raises the cost of vehicles without the purchasing power of consumers rising correspondingly, he said.

The difficult market conditions did not prevent the group reporting a marginal improvement in annual net attributable profits in 1996 from FF2.8bn the year before to FF2.89bn (\$498.4m), in spite of FF845m in exceptional losses. It also strengthened its financial position, with gearing falling to 131 per

cent at end-December 1996 - still high, but down from more than 200 per cent a year earlier.

The tyre maker, whose roots are sunk deep into the French town of Clermont-Ferrand, is one of the few big French companies not to be based in Paris. The annual remarks of its softly-spoken chief, delivered this year in a typically understated room at Clermont-Ferrand airport, are always keenly awaited by shareholders and analysts.

In exchanges with some of the 350-400 shareholders present, Mr Michelin, 70, flanked by his son Edouard, his designated successor, expressed concern at some proposals of France's new Socialist-led government, notably the idea of moving from a 39-hour to a 35-hour working week without corresponding loss of pay.

Clearly in good humour, he often exchanged jokes with his questioners, includ-

ing one man who had not attended last year's meeting "because it was too hot", in a friendly atmosphere more typical of a small local company than a large multinational that is a leader in its field.

But he was as discreet as ever about the company's future plans. "Will you sell the rest of the group's Peugeot-Citroën shares?" he was asked at one point. "Who knows?" he replied, smiling broadly.

The company continues to benefit from lower prices for natural rubber, one of its main raw materials. It said rubber prices were down 6 per cent in the year to date, after falling 12 per cent on average last year. However, it also acknowledged some pricing pressures on its own products.

Exceptionally, yesterday's meeting did not take place on a Friday that would have meant holding it on Friday the 13th.

## Thyssen and Giddings break mould

The global logic that has shaped many of the world's other big manufacturing sectors may at last be having an impact on the world of machine tools. That is one interpretation of yesterday's agreed takeover by Germany's Thyssen of Giddings & Lewis of the US.

It is the sector's biggest acquisition to date and the first time a large German supplier of machine tools and related manufacturing systems has bought a large US participant in the same industry.

It indicates that both Thyssen and Giddings see the potential of pooling their people and technologies to meet the needs of large customers, particularly in global industries such as cars, industrial equipment and domestic appliances,

The machine sector's biggest deal to date has global logic, but also critics, says Peter Marsh

which want the same service from machinery suppliers in all their plants.

Such logic goes against much of the established dynamic of the \$40bn a year machine tools business. It is one of the most highly fragmented manufacturing sectors, with hundreds of companies jostling for position in dozens of specialised niches.

While the biggest companies have international sales and production operations, most have resisted the temptation to increase global reach and market share through acquisitions.

The lack of grand plans in the industry is also tied up with the commercial pres-

sures many leading companies have faced in the light of increasing international competition, and the poor economic climate in much of the industrialised world during the 1990s.

The small amount of consolidation that has taken place in the industry in recent years has mainly been of companies taking over weaker competitors for tiny sums, or of suppliers pooling their resources from a position of fragility rather than strength.

Examples of these trends in recent years included Western Atlas, the second biggest US machine tool

maker, taking management control of Honsberg, a struggling German transfer line maker, and the takeover last year by Index, a leading German machine tool maker, of Traub, a loss-making company from the same country.

Yesterday's announcement is a sign that leading companies in the industry may be thinking on a more expansive scale. The combined operations of the two companies in machining systems will be more than \$1bn a year, making the Thyssen-

Giddings grouping the fourth biggest supplier in this sector after Fanuc, Amada and Yamazaki Mazak, all of Japan.

Giddings yesterday described the combination as a "quantum leap", giving the two parts of the joint operation the chance to exploit new process ideas and customer lists on a global scale. But other observers were not so sure, pointing out that historically the most successful machine tool companies have been specialised, independent-minded businesses, not conglomerates.

Based on what's happened in the past I'd say it's going to be tough for these two companies to succeed," said Mr Anderson Ashburn, an international authority on machine tools who is editor emeritus of the US publication American Machinist.

## EUROPEAN NEWS DIGEST

## Privatisation funds quoted in Warsaw

Poland's mass privatisation scheme came to fruition yesterday when 15 National Investment Funds were quoted on the Warsaw Stock Exchange. The move raised the capitalisation of the bourse from \$10.5bn to \$12bn. The scheme was set in motion almost two years ago, when 510 state-owned companies were handed to the 15 funds, which are run by local and foreign owned management companies.

Yesterday's new listings generated 34.5m zlotys (\$10.7m) of fresh share trading activity, compared with 128m zlotys in existing WSE stocks. Trading in NIF vouchers, which entitle holders to a share in each of the 15 funds, was worth an additional 29.8m zlotys. The vouchers themselves were priced at 150 zlotys each, while the sum of the 15 NIF fund prices quoted yesterday on the exchange reached 159.95 zlotys.

All adult Poles were entitled to buy one voucher each at a nominal price of 20 zlotys. By yesterday, 14.4m people of the 26m who did so had sold their vouchers.

Christopher Bobinski, Warsaw

## Polish miner plans expansion

KGHM Polska Miedz, the Polish copper ore mining and smelting company, is considering investments in India, Africa and China to follow the acquisition of a concession to mine cobalt and copper ore in Kinshasa in southern Zaïre, signed last January. KGHM says it will be spending \$800m by the end of 2001 on investments designed to increase output and to cut costs. It is also negotiating the terms of a \$300m loan with a consortium of banks.

Last year the company reported net profit of 147m zlotys as a sharp fall in world copper prices hit the results, which had reached 482m zlotys in 1995. KGHM is predicting a 286m zlotys net profit for this year.

First-quarter profits have already reached 116m zlotys.

Christopher Bobinski

## Slovenia banks ready for sale

A four-year programme to salvage the once-ailing Slovenian banking sector has been wound up. The Bank of Slovenia, responsible for banking supervision in the central European state, said that two state-owned banks had been restored to health and were ready for privatisation.

Nova Ljubljanska Banka, the country's largest bank with 28 per cent of the system's assets, and Nova Kreditna Banka Maribor, the third largest, will be taken out of the hands of the state-owned Bank Rehabilitation Agency and be transformed into joint-stock companies. The government has until July to appoint new supervisory and management boards, clearing the way for privatisation. However, the sell-off is not likely to begin until at least 1998.

The two banks, with 51 per cent of the banking system's assets at the start of rehabilitation in 1993, were almost brought to collapse after Slovenia's 1991 split from the former Yugoslavia.

Jack Grimston, Ljubljana

## Larios board backs Pernod bid

The board of Larios, the Spanish gin maker, has accepted a buy-out offer from Pernod Ricard, the French wine and spirits company. The board, representing more than 60 per cent of Larios's capital, is to put the offer to the company's other shareholders. The transaction, terms of which were not disclosed, is set to close on June 27. Málaga-based Larios leads the Spanish gin market, with 1996 profit of Pta5.5bn (\$17.2m) on turnover of Pta23bn. Pernod said the deal, which could take effect from January 1 1998, would create the second-biggest operator in the Spanish wines and spirits market.

David Owen, Paris

## Chanel acquires Eres

Chanel, the French fashion house, has bought control of upmarket beachwear manufacturer Eres. Eres is a family-run business that generates FF60m (\$10.3m) in annual sales, roughly two-thirds of that in France and the rest abroad.

Reuter, Paris

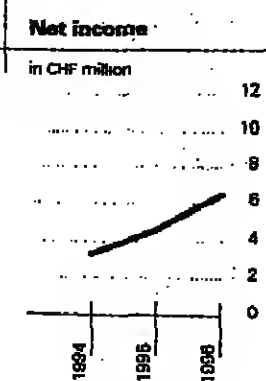
## BCH appoints vice-chairman

Spain's Banco Central Hispanoamericano yesterday approved the chairman's proposal to name Mr Angel Corcostegui Guraya as vice-chairman. Mr Corcostegui replaces the Mr Luis Coronel de Palma, who is retiring, the bank said. Mr Corcostegui joined BCH as chief executive in July 1994.

Reuter, Madrid

## Invest in technological know-how

Coming soon to the Swiss Stock Exchange: GretagMacbeth



Precise analysis of a color is an exacting task. As the leader in color measurement and color control technology, GretagMacbeth has the know-how at its fingertips. And its know-how lead is growing thanks to ongoing development work. By focusing on customer needs, GretagMacbeth aims to produce individual solutions and implement them systematically in new products. One example is the Spectrolino™, a portable spectrophotometer which sets new benchmarks in precision color measurement and ease of use. By transforming its technological know-how into innovative products, GretagMacbeth is opening up new areas of application - and that means new markets.

## GretagMacbeth - Global Leader in Color Measurement and Appearance.

The GretagMacbeth Group was formed in 1997 by the merger of the Color Control Systems division of the Swiss company Gretag AG and the Macbeth division of Kollmorgen Instruments Corporation, USA. In 1996 the two companies generated an operating income of around CHF 10 million (+27%) on combined sales of CHF 70 million (+11%). GretagMacbeth has 269 employees in Switzerland, the United States, Great Britain, Germany and Hong Kong. The IPO, lead managed by Bank J. Vontobel & Co AG, will ensure a solid foundation for sustained growth.

There are more details in the GretagMacbeth Profile. To order it contact:  
GretagMacbeth Holding AG, Althardstrasse 70, 8105 Regensdorf  
Phone + 41 1 842 24 00 or  
Bank J. Vontobel & Co AG, Behnhofstrasse 3, 8022 Zurich  
Phone + 41 1 283 70 76

GretagMacbeth

## NOTICE

The United Mexican States  
Value Recovery Rights, Series A

NOTICE IS HEREBY GIVEN pursuant to the Fiscal Agency Agreement dated as of March 28, 1990 (the "Agreement") under which the above Rights were issued that the Fiscal Agent has received a Calculation Report for the Payment Date occurring on June 30, 1997 from the International Monetary Fund, as Calculation Agent for the Rights under the Agreement, setting forth the following amounts:

Current Oil Price	US\$	19.3154
Reference Oil Price	US\$	17.2827
Current Oil Revenues	US\$	2,602,305,778
Excess Base Revenues	US\$	190,920,640
Excess Price Revenues	US\$	82,158,128

Based upon the Calculation Report the Fiscal Agent has calculated for said Payment Date the following amounts:

Value Recovery Payment	US\$	0.00171717192739381000
Carryforward Amount	US\$	0

June 13, 1997

By: Citibank, N.A.  
as Fiscal Agent

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مكتبة



## COMPANIES AND FINANCE: THE AMERICAS

## Miller ordered to end Brazilian alliance

By Jonathan Wheatley  
in São Paulo

Miller Brewing of the US and Brahma of Brazil, respectively the world's third and fifth biggest breweries, have been ordered to dissolve a joint venture formed in 1995 to market Miller's Genuine Draft beer in Brazil.

If upheld, the ruling could have far-reaching implications for other joint ventures between foreign manufacturers and Brazilian partners.

However, the two companies are expected to appeal against the decision.

Brahma's shares opened 1.2 per cent lower in São Paulo yesterday following Wednesday evening's decision by Cade, Brazil's competition watchdog.

Cade is expected to rule next week on a joint venture between Anheuser-Busch, the world's largest brewery, and Antarctica, Brazil's second biggest.

Cade officials voted five to

two against the Miller-Brahma joint venture on the grounds that it reduced competition in Brazil's beer market. It said Miller could have entered independently, either by building its own brewery or by using existing distribution channels in Brazil run by other divisions of Philip Morris, its parent company.

Brahma would only say yesterday that it was "surprised" and that it would make an announcement

after consultations with its lawyers on whether to appeal. Miller declined to comment.

Cade gave the companies two years to comply.

Mr Pedro Dutra, a lawyer acting for Brahma, said Cade's decision implied that no foreign company could enter Brazil through a joint venture with a local company.

But Mr Gesner Oliveira, Cade president, who voted against the ruling, said each

case would be judged separately.

"This has to be taken very seriously," said Mr Marco Melo, an analyst at Bozano Simoes, an investment bank. "The decision seems to be a political one, against foreign capital in general."

He said the deal posed no threat to competition in the Brazilian beer market.

Brahma began distributing Miller's Genuine Draft in 1995 and switched to local production in 1996. It

accounts for about 0.3 per cent of Brahma's sales, or about 0.2 per cent of Brazil's beer market, estimated at 7.7m litres last year. The joint venture was expected to operate until 2010 and to spend \$50m on marketing in its first five years.

In February 1995, Anheuser-Busch paid \$105m for a 10 per cent stake in Antarctica. Both US companies were attracted by much higher growth rates than those on offer at home.

## AMERICAS NEWS DIGEST

## Inflows to mutual funds up strongly

Investors made May the best month for mutual stock fund inflows since January, pouring in a net \$18.5bn - 17.8 per cent more than the \$15.7bn they invested in April. Funds groups said June inflows were expected to be just as strong. Estimates from the Investment Company Institute, a mutual fund trade group based in Washington DC, show bond funds also performed strongly in May, taking in a net \$2.5bn, more than three times the April figure of \$782m. Combined stock-and-bond-fund inflows reached \$21bn in May, also the best since January, although the total in January was much higher at \$32.7bn.

"What I'm hearing is that it's a good economy, and as long as there are no surprises, we'll see continued rotation [of assets] into the small-cap funds," said Mr Tad Gillespie, at State Street Research & Management. State Street's small-cap Aurora Fund is among the company's inflow leaders, as is its Global Resources Fund, according to the Boston-based company. Its bond funds, however, are continuing to show outflows.

AP-DJ, New York

## Enersis wins trade ruling

Enersis, the Chilean utility, will be allowed to keep its dominant position in the Chilean market as the major generator, distributor and owner of the main transmission lines, as a result of a ruling in its favour by the anti-monopolies commission.

The commission ruled unanimously against the state economic supervisory body, the NFE, which in 1994 had found that the degree of vertical integration in the electricity industry was a threat to fair competition. It had wanted Enersis to break up its interests in the sector and relinquish control in one or other area.

However, yesterday's ruling requires the company to transform its transmission division, Transelco, into a publicly-traded company, with minority shareholders. The commission also said the government should press ahead with legislative reforms where there were ambiguities in the current laws.

Mr Rodrigo Asejo, head of the NFE, said the ruling was "abusive", and insisted that the degree of vertical integration in the electricity industry was not good for Chile. But it had been "a battle between David and hundreds of Goliaths", he said.

The government has tried to encourage other participants into the industry, most recently last year when it initially attracted half a dozen possible buyers for a controlling stake in Colbun, the sole remaining state-owned generator. But it received only one bid, from a consortium headed by Tractebel of Belgium.

Inogen Mark, Santiago

## Bre-X 'set up legal costs fund'

Bre-X Minerals, the Canadian gold miner facing a spate of lawsuits after the Bingham scandal, created a US\$5m trust fund late last year to pay the legal costs of the company's officers and directors, a report made public this week showed. In a report filed with a Canadian court, Price Waterhouse, the accountant, which is monitoring the gold prospector's accounts, said the "indemnity fund" was set up last December with an offshore trustee. Under the arrangement, "those funds are held for the benefit of, and are security for, Bre-X's indemnity of its officers and directors" the report said. Bre-X and its officers and directors face at least 11 lawsuits filed by Canadian and US shareholders after the company's Bingham gold "prospector" in Indonesia was deemed in early May to be an unprecedented fraud.

Reuters, Calgary

## Intuit acquires 19% of Excite

By Louise Kehoe  
in San Francisco

Intuit, publisher of Quicken, the world's leading personal finance software program, has agreed to pay \$40m for a 19 per cent stake in Excite, an internet search company.

The two companies have also announced plans for a summer launch of an internet "channel" offering financial services and information.

The alliance combines Excite's search services, which draw an estimated 2.5m daily users, with Intuit's online Quicken Financial Network, which the company markets to the 10m users of its Quicken software.

"This is a powerful combination," said Mr Scott Cook, chairman of Intuit. The household name of Excite would draw millions of users to the new channel, he predicted.

The new channel will offer financial information and news, stock prices, directories of services, tracking and investment decision tools.

Users will also be able to purchase online financial products.

The channel will generate revenues from advertising as well as from transaction fees, the companies said. By adopting "push" channel technology that automatically delivers information to users' computer screens, the companies aim to ensure a growing audience for their services.

Intuit hopes the alliance will encourage financial institutions to participate in the online service.

To date, banks and brokerage houses have proved reluctant to give Intuit the opportunity to come between them and their customers, limiting the success of Quicken's internet efforts.

Intuit has also seen the growth of its personal finance software business slowing.

This week the company announced the closure of a customer service centre in New Mexico and cuts in its US and European operations. Some 420 jobs, or about 10 per cent of the company's workforce, will be cut.

For Excite, the deal represents an opportunity to differentiate its search services from those of Yahoo!, Lycos, Infoseek and a host of smaller competitors with which it is battling for advertising revenues.

## Murdoch signs star wars armistice

PrimeStar offers co-operation over confrontation, writes Christopher Parkes

Mr Rupert Murdoch may be a tough-nut dealmaker, but he is not a man to risk brain damage by banging his head against a brick wall.

By making his peace with the powerful US cable operators this week he has opted for co-operation rather than confrontation, for the rewards of partnership as opposed to the uncertain and distant prospect of the profits of war in space.

Although he made no financial gains on his \$1.1bn deal to sell his satellite broadcasting assets to PrimeStar, a satellite business owned by the largest cable operators in the US, he has enhanced his chances of winning airtime and subscribers for News Corp's cable programming channels.

Wednesday's deal to buy The Family Channel, which reaches almost every cable home in the nation - and is ranked ninth most popular - is an important move to increase the leverage of Mr Murdoch's own start-up efforts, FX, an entertainment service, Fox Sports and Fox News.

"Sure, he gave up on satellite, but at the same time he realised he could not back the market of 66m established cable subscribers," says Mr Jim Schaeffer, president of The Carmel Group, a specialist satellite broadcasting researcher.

By threatening to blast the earthbound cable operators, most of which are limited to no more than 60 channels,

## US satellite TV: a long way to go

News Corp's cable channels (number of subscribers)

The Family Channel	67m
Fox Sports	46m
FX	31m
Fox News	21m

US satellite broadcasters (number of subscribers)

DirectTV	2.58m
PrimeStar	1.88m
USSB	1.56m
EchoStar	0.55m

with up to 500 channels beamed from high-power satellites, News Corp worsened already strained relations with the cabling.

The defining moment came when a proposed merger of News Corp's ASKYB service with EchoStar became known as a "death star".

The first sign of a Murdoch retreat came last month, when News Corp abandoned its EchoStar agreement. The armistice was signed this week when Mr Murdoch meekly accepted a 30 per cent non-voting stake in PrimeStar

Inc, a new joint stock company to be built on the current partnership, in return for giving up his weapons.

His heavy artillery - two high-power satellites and the best available federal licences for nationwide coverage from space - is due to go into service next spring.

PrimeStar, which operates with medium-power hardware and serves mainly rural areas because its 36-inch dishes are too big for most urban homes, will now present a viable challenge to market leader DirectTV, owned by General Motors.

But first, PrimeStar's cable

operator owners will have to make their peace with regulators and antagonistic politicians in Washington.

Relations between cable and Capitol Hill have been strained for years; accusations of over-charging and disdain for the public interest are common.

"Mr Murdoch was to be heard only weeks ago telling Congress and regulators how effectively ASKYB would compete with cable, and now he is selling out to the competition," says Mr Rick Westerman, a senior analyst at US Securities.

Mr Schaeffer offers 50:50

## Go-ahead for \$3.5bn Venezuelan oil venture

By Raymond Collett  
in Caracas

The Venezuelan congress has approved a \$3.5bn joint venture between Arco, Phillips Petroleum, Texaco and Corpen, a subsidiary of the state-owned oil company PDVSA, to develop a heavy crude oil field.

"The Hamaca project is a significant development for Arco and a key element in our international growth strategy," said Mr Mike Bowlin, Arco chairman and chief executive officer.

The consortium is to invest \$100m during the first 18 months of the project, which is expected to begin later this year with basic engineering work, according to a statement released by Phillips.

If the Hamaca oil field in south-eastern Venezuela is fully developed, daily pro-

duction of the heavy oil could reach 200,000 barrels by 2005, with initial production starting in 1999.

The consortium expects to recover 2.4bn barrels throughout the 35-year contract period. The crude is to be upgraded into lighter, more marketable gravity oil at a plant to be constructed at Jose, on the Caribbean coast of Venezuela.

The project will further expand Texaco's participation in cost-effective and strategically located heavy crude production and in the technology needed to upgrade and refine it to usable petroleum products.

"This endorsement of the Hamaca project by the Venezuelan congress symbolises the government's openness to major new investments in the petroleum sector," said Mr Robert Black, Texaco senior vice president.

"For Texaco, Hamaca will be another opportunity to apply our heavy oil expertise and to increase worldwide crude oil production and reserves aggressively."

It is one of six projects that will tap Venezuela's extra-heavy crude oil reserves in the Orinoco belt - among the world's largest hydrocarbon deposits with a proven 270bn barrels of recoverable reserves. Phillips and Texaco each hold a 20 per cent stake in the venture, while Texaco and Corpen hold 30 per cent stakes.

In March, the Venezuelan government removed a significant obstacle to the six projects - which could draw total investment of \$17bn - by approving an exemption of the 16.5 per cent sales tax for the pre-operating costs of big investment projects, including the Orinoco deals.

All of these securities having been sold, this announcement appears as a matter of record only.

June 1997

3,803,800 American Depositary Shares  
Representing 2,852,850 Shares of Common Stock  
Open Joint Stock Company Vimpel-CommunicationsBEEF LINE  
CELLULAR COMMUNICATIONS

Joint Global Coordinators

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Donaldson, Lufkin & Jenrette  
Securities Corporation

1,045,000 ADS

The above shares were offered outside the United States and Canada by the undersigned.

Renaissance Capital  
International Ltd.Donaldson, Lufkin & Jenrette  
Securities Corporation

Morgan Stanley Dean Witter

2,758,800 ADS

The above shares were offered in the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette  
Securities CorporationRC Securities, Inc.  
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Morgan Stanley Dean Witter

ABN AMRO Securities (USA) Inc.

Credit Lyonnais Securities (USA) Inc.

Deutsche Morgan Grenfell

Dresdner Kleinwort Benson

Goldman, Sachs &amp; Co.

HSBC Investment Banking

ING Barings

Lazard Frères &amp; Co. ELC

Merrill Lynch &amp; Co.

Nomura Securities International, Inc.

Salomon Brothers Inc.

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Smith Barney Inc.

Bishop, Rosen &amp; Co., Inc.

Gabelli &amp; Company, Inc.

Gerard Klauer Mattison &amp; Co., Inc.

Nordberg Capital Inc.

Brad Peery Inc.

Unterberg Harris

## PLACER DOME INC.



David Smith

Jim Austin, Executive Vice-President, Placer Dome Inc., announces that the Board of Directors has made the following appointments effective June 1, 1997:

• David S. Smith, 39, to Vice-President, Business Development. Mr. Smith, previously Vice-President and Chief Financial Officer with Placer Dome Canada, will be responsible for identifying acquisition opportunities, leading the strategic planning process, assisting regional and mine management in implementing long-term business planning processes, and identifying opportunities at Placer Dome operations to enhance value, and working with regional and mine management to realize them.

• George L. Brack, 35, to Vice-President, Corporate Development. Mr. Brack, previously General Manager, Corporate Development, will be responsible for structuring and implementing acquisitions; working with Business Development to identify acquisition opportunities, and providing acquisition support to Placer Dome Exploration Inc.

• Joseph L. (Joe) Danni, 48, to Vice-President, Corporate Relations. Mr. Danni, who was Vice-President Human Resources and



George Brack



Joe Danni

Public Affairs with Placer Dome U.S. Inc., will be responsible for the development and implementation of Placer Dome's external relations strategies on a global basis, and will assist the regional business units in developing specific strategies for government and public affairs.

• Douglas J. Fraser, 47, to Vice-President, Sustainable Development. Mr. Fraser was President and CEO of Placer Dome Canada. He will be responsible for providing leadership in the development and implementation of environmental and sustainable development policies, and will develop strategies to ensure that social, political and environmental risks are appropriately measured and managed.

Reporting to Jim Austin, the team will seek to contribute to the Placer Dome Group by increasing its reserves through acquisitions; enhancing approaches to business and planning; building the concept of sustainable development into all its activities; and taking strategic control of its relationships with its publics. Placer Dome is an international gold mining company based in Vancouver, Canada.



Doug Fraser



## COMPANIES AND FINANCE: ASIA-PACIFIC

## Nomura to publish AGM on internet

By Gillian Tett  
in Tokyo

Nomura, Japan's largest securities company, yesterday enlisted the internet in its battle to clean up its image after recent financial scandals.

The group announced that it would publish the results of its annual general meeting later this month on the internet, together with pictures of the meeting.

The move is believed to be the first time a Japanese company has used the internet in this way.

The secretive conduct of Nomura's annual meetings has been at the heart of the recent scandal at the group.

Accusations against Nomura have centred on allegations that the company made illicit financial payments to *sokaiya* - corporate gangsters who demand money from companies in exchange for not revealing sensitive information about them.

Shareholders' meetings have been a target for such blackmail. *Sokaiya* have been known to disrupt them by hurling insults, asking "embarrassing" questions or even throwing bottles and chairs at company officials. Such actions were made easier by the fact that the meetings were open only to shareholders.

However, as financial scandals have emerged, some companies have taken the step of opening their doors to public scrutiny in an attempt to break the influence of the *sokaiya*.

Last month, Takashimaya, a retail group which suffered at the hands of the *sokaiya*, allowed the press to watch its shareholder meeting for the first time, albeit via closed-circuit television.

Dai-ichi Kangyo Bank, which has admitted making loans to the same *sokaiya* at the heart of the Nomura scandal, is taking a similar step this month.

Nomura, which has reshuffled its management under Mr Junichi Uchii, its new president, is also making efforts to increase transparency.

The company is to hire outside lawyers to monitor the shareholders' meetings and the report issued on the internet.

The company yesterday said the move was designed to give greater information to global shareholders and "potential shareholders" among the public.

This allows us to provide information to a lot of people in an open fashion," a spokesman said.

However, their potential readers may include unwelcome guests. The *sokaiya* themselves have recently become more sophisticated about how they research companies, and some have now started their own subscriptions to the internet.

## Investors take hit from knock-out bonds

Yen's surge has triggered losses for holders and brokers of a new type of dual currency paper

Sitting in his Tokyo office, Mr Minoru Kudoh, head of finance at Ichiyoshi, a Japanese broker, makes a sharp karate chop with his hands. "The currency markets have hit us with a bang! Kaput! It has been terrible! Who could ever have believed the yen would move so fast?"

It is a verdict echoed by many Japanese brokers and investors. The yen's surge in recent weeks has not only taken many international economists by surprise, but it has claimed a new set of foreign exchange victims: holders of a little-known and relatively new instrument called "knock-out" dual currency bonds.

Such bonds, structured to benefit investors if the yen does not rise, became popular as investors sought to protect themselves from the yen's steady fall in 1996. Japanese brokers, such as Ichiyoshi, have been distributing them heavily on behalf of western issuers.

But the yen's unexpected surge has triggered losses for the investors and brokers. They hold an estimated ¥300bn (¥2.89bn) of loss-making "knock-out" bonds. The losses on these instruments are not only threatening to dent Japanese confidence in the foreign bond

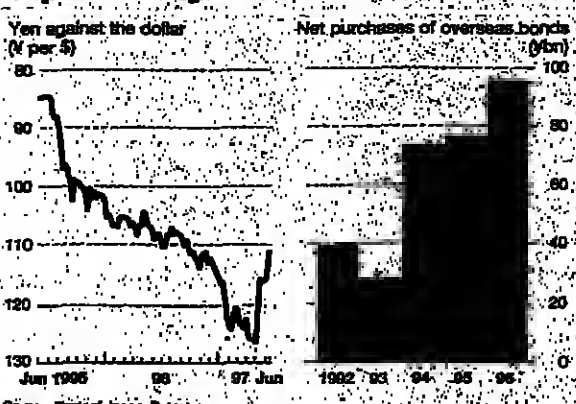
market, but may also be dealing a painful blow to Japan's ailing small brokers. The origins of the debacle highlight the pressures on these brokers, and how much some Japanese investors have to learn.

Dual-currency bonds have traditionally worked by offering investors interest on the bond in one currency, such as the Australian or US dollar, but to buy and redeem the bond in another, such as the yen. These have long been attractive to some investors, because they appear to guard against the risk of sharp currency fluctuations.

Last year sales of such bonds in Japan rose dramatically, for two reasons. The first was that Japanese savers had been flocking to purchase foreign securities, since low interest rates in Japan made the higher yields overseas very attractive. Then the yen's steady fall in 1996 made investors nervous that any gains they earned on these yields would be wiped out by the foreign exchange risk. So many turned to dual currency bonds for protection.

The second reason for the surge lay with the brokers. In recent years, Japan's 250 or so small and medium-sized brokers have seen their

Japan: money flows out



Source: Bank of Japan, Bloomberg

traditional equity trading business decline with the fall of the Japanese stock market. In the search for new business, these brokers have eagerly embraced the role of "middlemen" for western issuers keen to tap into Japanese savers' enthusiasm for overseas bonds.

Ichiyoshi is a typical example. Although it has been selling foreign bonds for the past seven years, it moved heavily into dual currency bonds last year, filling its offices with eye-catching leaflets explaining their attractions. "Selling bonds has been a good business," says Mr Kudoh. These paid an attractive coupon, typically about 5 per

cent, but with a catch. Although the bond would be redeemed in yen at attractive rates in normal circumstances, it would be repaid instead in a foreign currency if at any point during the life of the bond the yen rose by an agreed amount - usually 10 per cent.

These proved extremely popular. Ichiyoshi, for example, estimates that ¥50bn of the "knock-out" dual currency bonds were distributed across the industry in February. ¥100bn in March, ¥150bn in April, and ¥300bn in May.

The timing of this acceleration was disastrous. In early May the yen unexpectedly surged, "knocking out" many of May and April's contracts, so that they were repaid in the foreign currency, which of course had weakened against the yen. On a typical ¥50n dollar note, this meant losses of about ¥600m, or 10 per cent, before settlement costs, for the bond holder.

Since the securities houses were still distributing April and May bonds when disaster struck, many were left with them on their books. "Our customers would not buy these bonds and so we had to take the impact ourselves," Mr Kudoh says. The episode has painful

implications. Ichiyoshi, which is one of the healthier brokers - though it recorded a ¥80m net loss last year - is confident it can survive the blow. But other brokers are in a weaker state. Moreover, the government's plans to liberalise broking commissions as part of "Big Bang" deregulation are expected to cut margins further.

It also raises some intriguing economic questions. The recent flood of Japanese capital overseas has prompted concern in Tokyo - particularly since the "Big Bang" reforms could accelerate this flow. Some brokers even suspect the Japanese government may have engineered the latest currency turmoil to halt this flow.

Certainly, some officials hope good may come out of the debacle. Big Bang, they point out, will usher in more freedom for Japanese investors and brokers - and this could leave them even more vulnerable to investment "fads" in the future, unless they learn some investment wisdom.

"Japanese investors have been far too naive about investing overseas in the past," says one senior official. "Maybe this episode will teach some a lesson."

Gillian Tett

## China Airlines in row on boardroom control

By Laura Tyson  
in Taipei

A struggle for managerial control is threatening to delay China Airlines' search for a strategic partner.

Taiwan's biggest airline is fighting a government demand for five seats on the 10-seat board of directors of its holding company, the China Aviation Development Foundation.

The foundation, which was founded in 1988, holds 71 per cent of China Airlines' outstanding shares, having

recently released holdings amounting to 11 per cent.

Mr Tsai Jaw-yang, transport minister, claims the foundation is effectively a public asset.

He said that since no private interests put money into China Airlines when it was founded in 1968 and the government had subsidised the airline's operations for three decades, the government had the right to exert partial control over the foundation's activities.

Transport officials said the

foundation had not fulfilled its obligations under its tax-exempt status to contribute a certain percentage of its earnings to public works. China Airlines denies this, saying that it had fully met finance ministry guidelines for foundations.

The row highlights the difficulties in distinguishing public and private assets in Taiwan, which in the past decade has made the transition from a one-party state to democratic pluralism.

China Airlines insists it is

retired air force personnel.

After the 1994 accident in Nagoya, Japan, in which more than 200 people perished, the airline has made efforts to professionalise its management and operations.

Some observers believe these efforts could be jeopardised if the government forces itself upon the foundation.

For its part, the government faces public criticism that its privatisation programme has resulted in state assets being handed over to wealthy private interests

closely linked to the ruling Nationalist party.

As it regards the foundation as a type of public asset, it seeks to prevent a similar fate for China Airlines.

In the past year, several international carriers, including British Airways, China-backed carriers, and Taiwan's Eva Airways have been rumoured to be interested in taking a stake in China Airlines. A strong foreign partner would be helpful for the airline in upgrading its operations and service.

## ASIA-PACIFIC NEWS DIGEST

## Stakebuilding seen in Burns Philps

An Australian broker was yesterday understood to be building a stake in Burns Philps, the troubled Sydney-based food ingredients group, probably on behalf of an overseas client.

The buying, handled by Deutsche Morgan Grenfell's Australian arm, started just after the market's close yesterday. Burns said it was unaware of the buyer's identity, but noted there were strong market suggestions that it was an offshore purchaser, apparently interested in building an equity stake of about 15 per cent. The buying was at A\$2.50 a share - a substantial premium to the closing price of A\$2.03, up 2 cents on the day. One market source suggested the broker was having relatively little difficulty in filling the order. At A\$2.50 a share, Burns is capitalised at about A\$1.3bn (US\$843m).

The company has experienced difficulties in recent years as it has attempted to turn itself from a diversified industrial and distribution group into a specialist food ingredients business. A series of acquisitions failed to pay off, and the company became embroiled in a price war with McCormick, the US spices group. Last month, Burns announced it intended to sell its consumer spice and industrial food service operations in North America and Europe, which made a loss of A\$31.7m in the first nine months of 1996-97.

Nikki Tait, Sydney

## Higher prices lift tea groups

Improved tea prices in the second half boosted profits at Tata Tea and Goodrich, the Indian tea producers, but rising labour costs held back AFT Industries, the flagship company of the Apeejay Surrendra group.

Tata Tea, India's largest plantation group, announced pre-tax profits up 18 per cent at Rs268.2m (\$25m) for the year to end-March, while net profits rose 27 per cent from Rs461.4m to Rs588.5m. Sales grew 32 per cent to Rs7.17bn, compared with Rs5.43bn. Earnings per share climbed from Rs5.47 to Rs12.06. The dividend is raised from Rs5 to Rs6.50. The company, which lifts sales of branded tea by more than 20 per cent, expects better results in the current year on the basis of rising tea prices and continuing strong demand in both import and export markets.

Goodrich, which is increasing sales of tea in value-added packets and investing heavily in the "rejuvenation" of its estates, increased full-year net profits 88 per cent to Rs328.46m. Turnover climbed 3.5 per cent, from Rs1.167bn to Rs1.208bn. The dividend is raised 25 per cent to Rs1.25.

AFT, which is yet to take the value-added route, saw pre-tax profits down 25.17 per cent in the year at Rs86.5m, while net profits declined from Rs63.5m to Rs50.1m. Sales climbed 5.72 per cent to Rs728.5m. Earnings per share fell from Rs10.6 to Rs8.35. Exports advanced 350 per cent from Rs18.5m to Rs58.3m. The company expects a significant improvement in the current year.

Kamal Bose, Calcutta

## Tokuma buys DirecTV stake

DirecTV Japan, the joint-venture digital satellite multichannel operator, said that Tokuma Shoten Publishing, a leading publisher and owner of animation rights, would take a 10 per cent equity stake in the venture.

The purchase by Tokuma provides DTVJ with access to the publisher's vast library of popular Japanese animation and classic Japanese movies, as well as future productions. Animation films released by Tokuma over the past few years have generated larger revenues than Disney films in Japan, DTVJ pointed out. DTVJ has also signed up with NHK Joho Network for broadcast rights to J-League soccer games for the 1998-99 season, the company said.

Mitsuyo Nakamoto, Tokyo

## Surge in ANZ shares

Australia and New Zealand Banking Corporation was yesterday forced to put out a statement saying it knew of no reason for a sudden surge in its share price, which leapt from A\$9.22 at Wednesday's close to about A\$10.00 in early trading yesterday. The shares closed up 56 cents at A\$9.78, a gain of about 6 per cent.

The trading appeared to be driven by takeover speculation which has surrounded bank stocks in recent weeks, following the federal government's decision to lift the ban on overseas takeovers of the country's four largest banking groups.

Nikki Tait

## USINOR

## June 9, 1997 Meeting of Shareholders

The June 9, 1997 Annual Meeting of Shareholders, chaired by Francis Mer, has approved all resolutions that were submitted to it. Specifically, it approved the 1996 financial statements and set the dividend, payable on July 1, 1997, at 3 francs per share, with a tax credit of 1.5 francs.

## New Look

The Meeting of Shareholders adopted a simplified corporate name. Usinor Saciol will henceforth be named "Usinor".

The Chairman said: "The part of the name that you are being asked to retain is already being widely used in the financial and media environment."

But the Saciol "culture" will continue to be very much present since the corporate names of our major divisions (Sollac, Ugine, Unimetal, Ascometal, etc.) came from that group, based in Lorraine. And the logo that will accompany the Usinor name will be a very explicit graphic interpretation of the old Saciol logo.

This new corporate identity, which expresses the unity of the Group, is seen by our employees as a reminder of a difficult past that has now been overcome, thanks to everyone's efforts."

## Shareholder Relations

The Chairman introduced the 10-person Shareholder Consulting Committee, which, has a four year mandate to advise the Group on its financial and economic information policy with respect to individual shareholders.

The Chairman also mentioned the interest that shareholders have shown in the initial meetings that have already taken place outside of Paris (Lyon, Lille, Nancy, Marseille, Bordeaux). The next one will be held in Nice on October 17 of this year.

## Outlook

During his talk, the Chairman also mentioned the group's current outlook:

"The apparent demand for steel, i.e. the total volumes ordered by customers, is very firm in Europe and is sustained in the United States. So the Group's deliveries and order books are at good levels overall. They are also being helped by increases in our market shares. Continuation of this favorable trend implies a recovery in consumption and investment in Europe. With a continued strong dollar, it would also be possible to exploit new opportunities for major exports."

The turnaround in prices has been more gradual but, for the past two months, it has definitely been moving in the right direction for most of our products.

Negotiated mostly in late 1996, the sale prices recorded in the first quarter have not yet reflected that movement. It is the Group's belief that the net profit for the 1st half should be of the same order of magnitude as the net profit published for the 1st half of 1996."

Investor Relations tel.: (33-1) 41 25 98 98 - fax: (33-1) 41 25 97 80  
Internet: <http://www.usinor.com>

USINOR

**DECLARATION OF DIVIDENDS**

The following companies have declared final dividends, in South African currency, payable on 6 August 1997 to members registered in the books of the companies concerned at the close of business on 27 June 1997:

Name of Company	Dividend No.	Amount per share (cents)
(All companies are incorporated in the Republic of South Africa)		
Driefontein Consolidated Limited (Registration No. 649488/001)	48	75
Kloof Gold Mining Company Limited (Registration No. 649446/001)	55	15

Dividends will be electronically transferred to members' bank or building society accounts on 6 August 1997 or, where this method of payment has not been mandated, dividend warrants will be posted to members on 5 August 1997.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the companies.

The register of members of the above companies will be closed from 28 June to 4 July 1997, inclusive.

The following company has not declared a final dividend: Deelkraal Gold Mining Company Limited (Registration No. 74001/00/00)

By order of the board  
S.J. Dunning, Secretary

London Office and Office of United Kingdom Registrar: Greenacre House, Francis Street, London SW1P 1D11

12 June 1997

## Notice to Bondholders

## UBS Luxembourg S.A. - Paying Agency activity

Bank of Montreal US\$ 250,000,000 Series 10 Floating Rate Debentures  
The Royal Bank of Scotland £125,000,000 7 3/8% Subordinated Bonds due 1998  
International Bank for Reconstruction and Development ECU 200,000,000 Floating Rate Notes due 2002

Notice is hereby given that with immediate effect the paying agency functions held by UBS Luxembourg S.A., 5-5 Place Woluwe, L-2011 Luxembourg have been transferred to Banque Internationale à Luxembourg S.A., 99, rue d'Alsace, L-2055 Luxembourg.

Bondholders holding bonds where UBS Luxembourg S.A. appears as paying agent should present their coupons for encashment and their bonds for redemption at the offices of Banque Internationale à Luxembourg S.A., Banque Internationale à Luxembourg S.A. takes over all rights and duties as a paying agent as it has been the designated paying agent in the original agreements.

UBS Luxembourg S.A.  
5-5 Place Woluwe  
L-2011 Luxembourg

Banque Internationale à Luxembourg S.A.  
99, rue d'Alsace  
L-2055 Luxembourg

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## Sommer Allibert rebuffs Armstrong

By Graham Bowley  
in Frankfurt

Sommer Allibert, the French plastics group, yesterday publicly rebuffed Armstrong World Industries' bid for its Canadian flooring division.

In an open letter to Armstrong, Mr Marc Assa, Sommer Allibert chairman, attacked the US company's decision to begin legal proceedings in an attempt to stop Sommer's proposed DML4m (US\$81.7m) merger of its flooring division with Tarkett, the German flooring group.

It is the latest in a war of words between Armstrong and Sommer Allibert which erupted this week following Armstrong's hostile bid for the Canadian flooring division.

The US group alleges Sommer Allibert broke agreements after earlier talks

revolving around its bid for Sommer's flooring division, including Domco. It also claims that Sommer and Domco directors breached their duties to Domco's minority shareholders by not properly informing them of Armstrong's bid.

But Mr Assa yesterday strongly reiterated Sommer Allibert's rejection of Armstrong's bid for Domco, describing the US group's decision to sue its complaints publicly as "ill-advised".

He defended Sommer's decision to merge its flooring business with Tarkett. The merger, announced at the end of last month, involves Tarkett buying the Sommer flooring business for DM705m.

In return, Sommer Allibert agreed to buy 60 per cent of Tarkett for DM658.3m. Linking the two suppliers of wood and vinyl flooring surfaces in Europe would create an important competitor for Armstrong, the world market leader.

Mr Assa said that Sommer had "at no time agreed to negotiate exclusively with Armstrong World Industries".

"[Armstrong's] claim that we violated restrictions upon our right to negotiate when no such restrictions existed is not only factually wrong but also obviously a reflection of [their] great concerns in the face of the creation of Tarkett Sommer," he said.

He said Armstrong's claim that Sommer Allibert's decision not to tender its Domco shares required deliberation by the Domco board was "simply ludicrous and without any basis in law".

Armstrong responded to Mr Assa's letter by saying it would go ahead with its offer of C\$23 for each Domco share. A spokesman said Mr Assa's letter had not made the case of added shareholder value for Sommer or Domco shareholders.

See Lex

## UCI plans expansion in Germany

By Alice Rawsthorn

United Cinemas International, the cinema chain owned jointly by Viacom and Seagram, the North American entertainment group, plans to open 18 multiplex cinemas in Germany and Austria over the next two years.

The proposed openings form part of the general expansion of the European cinema market, which is regarded as being underdeveloped compared with the US, where the multiplex phenomenon started.

UCI already owns five multiplex cinemas in Germany, the first of which opened at Huth Park in 1990.

It plans to launch 15 more there by spring 1999, including five in the Berlin area, two in Hamburg and one in Frankfurt.

Nine of its new German multiplexes will be in the eastern part of the country. UCI has decided to concentrate investment there as part of its long-term strategy of building a substantial presence in the former eastern bloc.

The company has not disclosed details of the cost of its German expansion programme. However, multiplex cinemas typically cost several million dollars to construct and equip. The number of screens in UCI's new German complexes will range from seven to 10, and the number of seats from 1,413 to 2,700.

In Austria, where UCI already operates one multiplex in Vienna, the company plans to open two more complexes, a second in Vienna and one in Graz, by July next year.

Other cinema operators are also expanding their interests in Germany.

Warner Village, a joint venture between Time Warner, the US entertainment company, and Village Roadshow, the Australian media group, has four German multiplexes at present, and plans to build another 16 over the next three years.

The opening of new cinemas has already had a dramatic effect on the German film market.

Box office admissions have risen in recent years, as the

new multi-screen cinemas have offered a wider choice of pictures to German filmgoers.

The main beneficiaries have been German-language films, which have found it much easier to find distribution and attract larger audiences. They took 37 per cent of box office revenue in the first quarter of this year, the highest since the 1950s.

A similar pattern has emerged in the UK, the only European country where multiplex construction is more advanced than Germany.

## Ahold ahead 69% on Stop & Shop takeover

By Gordon Cramb  
in Amsterdam

Ahold, the Netherlands' largest supermarket group, boosted net profits 69.4 per cent to Fl 234.4m (\$121.5m) in its initial reporting period of this year, with the bulk of the gain stemming from its \$1.8bn takeover of the Stop & Shop chain in the north-eastern US.

Earnings per share, at Fl 1.36 for the 16 weeks to April 20, were up 23.4 per cent from Fl 1.10. The acquisition was funded largely through an international share offering, as a result of which issued equity was expanded by just over one-third.

The company said it was maintaining its expectation that full-year net profit would be "considerably higher". This would imply an increase of between 30-45 per cent from the Fl 632m achieved in 1996.

The result for the opening period, struck before the payment of preference dividends, was towards the lower end of analysts' projections, but Ahold shares

closed Fl 3.10 higher in Amsterdam at Fl 169.80. A three-for-one stock split will take effect on July 21.

The recent weakness of the guilder, particularly against the dollar, enhanced earnings by Fl 15.2m, or Fl 0.09 a share, the company

showed that the US, now Ahold's biggest market, achieved revenues of \$4.2bn, ahead 53.9 per cent in dollar terms and 75 per cent in guilders.

Operating profits there were \$159.1m, a jump of 144.4 per cent. Ahold said its previously acquired US chains, including Tops and Bi-Lo, also performed well.

In the Netherlands, where it owns the market leader Albert Heijn, operating results were 9.8 per cent higher at Fl 165.5m on sales up 6.5 per cent to Fl 4.7bn.

Elsewhere in Europe, turnover rose 32.4 per cent to Fl 694.3m, though profits growth trailed with a 6.2 per cent rise to Fl 34.3m. The group has been adding activities in Spain and Poland to longer established operations in Portugal and the Czech Republic.

Ahold reported an initial contribution to operating profits of Fl 15.8m from Latin America, where its new venture in Brazil booked sales of Fl 482.5m. The start of business in the Asia-Pacific region brought a loss of Fl 15m on sales of Fl 267.2m.

As announced at the May shareholders' meeting, sales were 48 per cent ahead at Fl 1.4bn, though the rise would still have been 17.1 per cent if Stop & Shop had been included last year.

A breakdown yesterday

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A breakdown yesterday

### EUROPEAN NEWS DIGEST

## Duo hope for pan-Nordic SE

The Swedish and Danish stock exchanges said yesterday that they hoped their decision to merge their trading systems would encourage the Norwegian and Finnish bourses to join a pan-Nordic equities market. The alliance between the Stockholm and Copenhagen exchanges, unveiled yesterday, creates an integrated share dealing market. It is to have a common regulatory framework, although participants on the market will have to be registered on both bourses.

The tie-up between the two largest Nordic bourses, with combined market capitalisation of close to \$300bn, is likely to put pressure on their smaller neighbours in Oslo and Helsinki to join. However, the Helsinki bourse has expressed its opposition to a scheme dominated by Stockholm, which has about 55 per cent of the Nordic market. "We are not yet ready to bind ourselves," said Mr Juhani Erna, Helsinki Stock Exchange president. The Oslo bourse stressed it had ordered the same trading system as the Helsinki exchange and this was an obstacle to integrated trading. But he added: "I don't think we have burned all bridges concerning Nordic co-operation. There might be other ways of co-operating together."

The Stockholm-Copenhagen venture is a response to a perceived need for rationalisation among smaller European bourses in the face of greater competition from larger financial centres. The heads of both exchanges have questioned whether individual Nordic exchanges can survive alone in an increasingly international market.

Greg McIvor, Stockholm

### UPM-Kymmene write-off

Finnish pulp and paper group UPM-Kymmene said yesterday it would make a FM\$800m (\$155m) write-off on the sale of a French magazine paper mill to Otor, France's second largest producer of corrugated board. The group is selling its St Etienne du Rouvray plant, which is part of its Chapelle Darlay operation in France.

It said the mill would stop producing magazine paper and switch to light testliner and fluting from January 1998 after the sale. The move follows an announcement this week that UPM-Kymmene was in talks to buy the release paper and consumer products business of Daubert Coated Products of the US. The unit has been the US sales agent for Lohjan Paper, UPM-Kymmene's wholly-owned subsidiary. The purchase would "strengthen the global position of Lohjan Paper as one of the world's leading silicised paper producers", UPM-Kymmene said.

Agencies, Helsinki

### Den Danske names chief

Mr Peter Straarup, 45, was appointed yesterday as chief executive of Den Danske Bank, the largest of Denmark's commercial banks. He will take over in March on the retirement of Mr Knud Sørensen, who has held the position since 1980. Mr Straarup was appointed deputy to Mr Sørensen last year and his move to the top executive job at the bank was expected. He follows in a tradition at the bank that chief executives are recruited internally. Mr Straarup joined the bank on leaving school at 16.

Hilary Barnes, Copenhagen

## Lufthansa signs Air Littoral alliance

By Graham Bowley

Lufthansa yesterday named Air Littoral, the French regional air carrier, as its new partner in France, strengthening the German airline's strategic position in the European air network.

The move, announced in Paris, bolsters Lufthansa's reach into southern France and the Mediterranean region including Spain and Italy.

The airlines said they would work together on marketing, sales and customer services, and had plans for greater co-operation in ground handling, maintenance and cargo.

Lufthansa will serve as general sales agent for the French carrier in Germany, Spain and Italy.

Air Littoral will support Lufthansa in the French market through its 29 sales offices.

From September, the two will have a code-sharing agreement on 26 destinations, which means Lufthansa will be able to sell flights operated by Air Littoral under its own name.

Mr Marc Dufron, Air Littoral director general, said: "Now that French airlines are open to a liberalised market, we can expand our regional base to a European level without losing our independence."

Air Littoral has a fleet of 35 aircraft based around two main hubs in Nice and Montpellier, the airline's headquarters. The move will include co-operation between the two airlines on frequent flyer programmes.

This alliance follows several others between Lufthansa and regional European airlines, such as British Midland.

## To the Holders of Middletown Trust 10% Notes Series B due 1998

NOTICE IS HEREBY GIVEN that, pursuant to Article Eleven of the General Covenant, for the Sinking Fund due July 15, 1997 U.S. \$22,575,000 of the Notes will be redeemed at 100% of principal amount. The principal amount of the Notes redeemed shall cause to accrue, following the above redemption, U.S. \$25,000,000 10% Notes Series B due 1998 and U.S. \$37,205,000 10% Notes Series C due 2010 will remain outstanding.

The redemption price and accrued interest are payable against surrender of the Bearer Notes together with all coupons maturing subsequent to July 15, 1997 at the offices of the Paying Agents outside of the United States listed below on or after July 15, 1997:

The Chase Manhattan Bank  
Wire and Vault, Cross Street  
38 Bishopsgate, London EC2N 4AJ, England  
Chase Manhattan Bank Luxembourg, S.A.  
Rue de la Liberté 23  
L-2336, Luxembourg-Grand  
Banque Bruxelles Lambert  
Avenue Maria 24  
1000 Brussels, Belgium  
Chase Manhattan Bank (Switzerland)  
ES Rue de la Rhodé  
CH-1204 Geneva 3, Switzerland

The serial numbers of U.S. \$22,575,000 Bearer Notes to be redeemed are as follows:

4	863	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
5	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
6	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
7	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
8	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
9	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
10	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
11	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
12	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
13	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
14	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
15	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
16	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
17	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
18	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
19	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
20	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
21	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
22	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
23	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
24	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
25	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
26	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
27	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
28	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720
29	108	1716	2587	3286	4241	5078	5862	6780	7781	8872	10022	11618	11818	12629	13689	14158	14935	15743	16558	17349	18122	18885	18720



## COMPANIES AND FINANCE: UK

## WH Smith plans to spin off US arm

By Christopher Price  
in Atlanta

WH Smith, the retail group, is in talks to spin off its US music business, The Wall, as part of a wave of rationalisation in the troubled US sector.

Smith is one of three groups involved in discussions about the future of a 350-store music chain called

Camelot, which has sought protection from creditors under the Chapter 11 procedure. A price war in the industry has left a number of companies in Chapter 11 and forced others to make cuts.

Smith wants to put The Wall into a bigger grouping, probably via a joint venture and is talking to other music retailers as well as Camelot.

One of them is believed to be Musicland, which accounts for almost a tenth of US sales. Although Smith intends to keep an equity stake in any combined group, it would cede management control.

The Wall, based in the north-east of the US, has about 200 stores. Trading profits last year were flat at £2.1m (\$3.42m) on sales of

\$114.4m, as overcapacity in the industry depressed margins. In the year to May 31, analysts are forecasting the business will just remain in the black. Camelot, based in the mid-west, had sales of some \$500m last year.

Mr John Hancock, head of Smith's US operations, confirmed that talks were taking place but refused to give further details.

However, he said: "Consolidation needs to take place in the music industry and Smith wants to be part of it. The Wall is not big enough as it stands to be part of the endgame that is being played out."

Smith signalled its intention to consider options for The Wall last August when the strategic review initiated by its new chief executive,

Mr Bill Cockburn, decided that the business was not core to the group. In particular, with Smith reporting its first loss in 204 years and investment focused on its UK retail operations, the problems of the US music market were deemed both secondary and too severe.

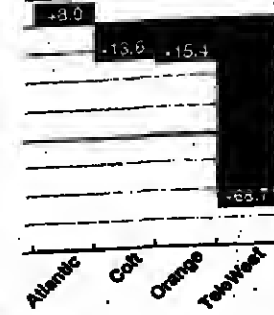
In the US, Smith prefers to concentrate its strategy on its retail travel business.

LEX COMMENT  
Ionica

British investors have developed an aversion to start-ups issuing equity backed by discounted cash flow (DCF) calculations.

Given burnt fingers over Eurotunnel and cable television stocks like Telewest, that is unsurprising. Plug in rosy assumptions about how many customers the start-up will attract and promoters have found it is easy to generate over-optimistic valuations. Prospective shareholders will therefore, no doubt, look at the forthcoming Ionica

Telecom shares



float with a jaded eye. Will the wireless telecommunications group, which currently has 22,000 customers, really have 5m lines in operation by 2004 - the core assumption made by SBC Warburg, its broker? The truth is nobody knows.

This high degree of uncertainty may seem a reason to avoid the float. But, ironically, it is one of the best reasons to take a close look. This is because Ionica's innovative wireless technology means it only has to invest £16 to pass each home. This is like a downpayment on an option. Further, larger sums of money need to be sunk when a customer actually signs up. But once they have, the prospects of making money are good; the "option" is effectively in the money. And, as with any option, the more uncertain the outcome at the start, the greater its value. Whether Ionica will indeed be a good investment, of course, depends on price. But given the bad experience of previous DCF-backed floats, the signs are that Warburg will price the issue at a big discount to the valuation implied by its calculations.

## LucasVarity reaps benefits from savings

By Tim Burt

LucasVarity, the Anglo-US engineering group, reported a 16 per cent increase in first quarter profits as it enjoyed the first cost savings from its £250m (\$407.5m) restructuring programme.

Announcing its first quarterly results since last year's £3.2bn merger of Lucas Industries and Varity Corporation, the company said it was on track to achieve annual savings of £190m.

The fruits of that restructuring, involving the sale of 13 non-core businesses and some 3,000 job losses, helped lift pre-tax profits from £82m to £72m on sales of £1.21bn (£1.11bn) in the three months to April 30.

"These results show the progress we are making in realising the merger-related benefits we had previously identified," said Mr Victor Rice, chief executive.

He added that the figures marked a "credible start," given the mixed trading conditions and the effects of the strong pound on LucasVarity's motor components and aerospace activities. Operating profits would have been £8m higher had it not been for adverse currency movements, but they nevertheless rose 12 per cent to £86m (£77m). Mr Rice predicted the group would deliver modest growth this year, when analysts are forecasting underlying profits of £940-£945m (£828m).

Maiden first quarter earnings per share came in at 3.2p, and the company reiterated that it planned to offer shareholders a 2.25p interim dividend, combined with a share buy-back.

The company spent £30.1m in the period on repurchasing 15.5m shares. The shares rose 7p to 211p yesterday.

## Scapa aims for global expansion

By Virginia Marsh

Scapa, the industrial materials maker, aims to more than double its share of the \$50n world technical tapes market to at least 10 per cent over the next three to five years.

Mr David Dunn, chief executive of the Lancashire-based group, spoke of the expansion as he revealed a 7 per cent rise in pre-tax profits to £66.5m (£108.39m) in the year to March 31, on flat sales of £526.6m (£526.8m). Profits would have been higher but for a £1.7m sterling translation impact.

Mr Dunn said that as part of the expansion, further acquisitions in North America were likely, as well as joint ventures or greenfield projects in Asia. In January, Scapa, which manufactures in 16 countries, bought a US company that specialises in high temperature tapes. The group



(l-r) Derek Walter, financial director, Harry Tuley, chairman, David Dunn, chief executive

has recently opened an office in Malaysia.

The expansion means the share of papermaking products will continue to diminish, from nearly half of sales to about a third.

Mr Dunn said the group, whose share price has declined sharply this year, would not fund expansion through equity. There was scope to raise borrowing given current gearing of 31.6 per cent (40.3 per cent).

The paper division, which produces paper machine roll covers and clothing, contributed £45.6m (£45.7m) to group operating profits up 5.8 per cent at £75.8m in the year to March 31.

The increase came mainly from a near-20 per cent rise to £30.2m in profits at the tapes and speciality materials division.

Scapa said full-year contributions from two US tape companies purchased in 1995

were partly behind the profit increase.

UK-based businesses produced £13m (£19.2m) of operating profits, whereas North American operations contributed £37.9m (£31.8m). Gross group capital expenditure was £22.2m.

Earnings per share were up 7.3 per cent at 19p. A final dividend of 5.28p (4.89p) is proposed, giving a total payout of 7.2p. The shares rose 15½p to 214p.

## New businesses fuel FKI advance

By Tim Burt

FKI, the industrial engineering group, yesterday announced a near-25 per cent increase in underlying profits after new businesses helped lift sales above £1bn (£1.63bn) for the first time.

The company, which has

spent £330m on acquisitions in the past two years, saw profits jump from £90.1m to £112.1m before exceptional items, on sales edging past £1bn (£875m) in the year to March 31.

Mr Bob Beeston, chief executive, said the improvement had been fuelled

partly by maiden profits of £12.3m from the Hawker Siddeley electric power group - acquired from BTR for £182.5m last year - and Navia Marelli Motori, the Italian motor manufacturer purchased for £52.5m last summer.

However, one-off charges

of £24.5m, reduced the full-year pre-tax profits slightly to £87.6m. The charges - to cover restructuring and the costs of FKI's abortive £190m bid for Newman Tools, the architectural hardware company, overshadowed a record year, according to Mr Beeston.

## JM defies weak metal prices with 5% rise

By Tim Burt

Sharply increased demand for specialist computer components and a recovery in catalytic converters enabled Johnson Matthey to lift operating profits 5 per cent last year.

The precious metals and engineering technology group announced operating profits up from £111m to £116.3m (£190m) for the year to March 31, though weak metal prices cut turnover from £2.53bn to £2.42bn.

Mr David Davies, chairman, said the figures reflected strong growth at ACI - the US manufacturer of multi-layer printed circuit boards acquired for £170m in 1995 - which made its first 12-month contribution.

That helped lift profits in the electronic materials division by 21 per cent to £20.5m (£25.5m). "It was a tremendous result, particularly as the semiconductor market as a whole shrank by 10 per cent last year," he added.

The figures also reflected a bounce-back in the catalytic systems arm, where profits rose to £34.1m (£36.2m) as

customers including Chrysler and Volkswagen increased orders. Last time, the division suffered a heavy fall in profits following the loss of a large contract with General Motors, which is suing Johnson Matthey in the US over the alleged theft of precious metals.

Mr Chris Clark, chief operating officer, said the company had plugged the gap left by the GM contract and vowed to fight the long-running legal action. He also highlighted increased gains in the precious metals division, where profits reached £44m (£42.2m) even though falling metal prices cut sales from £1.93bn to £1.72bn.

That helped offset a disappointing performance from Cookson Matthey Ceramics, the joint venture with Cookson Group. Profits there fell by 36 per cent to £15.8m (£23.8m) as weak demand from the construction industry depressed sales of zircon, the mineral used in tile manufacturing.

Earnings per share rose to 36p (34.4p). A proposed final dividend of 10.8p (10.1p) lifts the total to 15.5p (14.5p).

## NEWS DIGEST

## BAA passengers in 9% increase

BAA's seven UK airports handled 8.9m passengers in May - an increase of 8.9 per cent on last year. Sir John Egan, chief executive, said the figures highlighted Stansted's breakthrough above the 5m passenger level and a general recovery in the European charter market.

Gatwick saw a 17.2 per cent total increase: its north Atlantic traffic and other long haul routes increased by 13.2 per cent and 22.5 per cent respectively, the latter reflecting the transfer of several British Airways routes from Heathrow last year.

The transfer has seen short haul feeder traffic rise, with domestic traffic up 16.5 per cent and European scheduled routes up 19.2 per cent.

Stansted saw an overall increase of 12.1 per cent, Southampton 13.2 per cent, Glasgow 10.9 per cent and Heathrow 4.7 per cent. The shares rose 17½p to 567½p.

## Paragon in £36m purchase

Paragon, the centralised lender, has acquired its third mortgage portfolio in two years with the £36m (£58.65m) cash purchase of Société Générale's UK accounts.

The French bank's portfolio comprises 710 loan accounts secured by first mortgages on residential property. Mr Nigel Terrington, Paragon's chief executive, said: "As this will involve very little in the way of extra administration costs it will provide a very helpful margin benefit to the bottom line."

## Card Clear pursues US buy

Card Clear, the card payment and fraud prevention services group, announced yesterday that it was still in talks to acquire Transaction Billing Resources of the US. Card Clear first announced its interest in the company, which services the telecommunications industry, in March, when it agreed terms in principle valuing TBR at between \$10m (£5.1m) and \$11m.

The shares were unchanged at 43½p.

## CPL Aromas falls into loss

CPL Aromas, the distributor of flavours and fragrances, fell into a pre-tax loss of £561,000 (£814,000) last year, after exceptional costs of £2.5m for restructuring its overseas operations and writing-off development costs at its Aromachem division.

Before exceptional costs the pre-tax loss for the 12 months to March 31 was £2.96m (£2.82m) on turnover of £33.2m (£28.7m). The 15.9 per cent rise in sales was largely because of the contribution of Du Croc Aromatics, acquired in March 1996 although trading had been badly affected by the unexpected loss of substantial business in Japan.

## PacifiCorp to launch £3.4bn bid

By Simon Holberton

PacifiCorp, the big US utility, is expected today to announce a £3.36bn (£5.47bn) bid for Energy Group, the Anglo-American energy company recently demerged from Hanson.

After three days of intensive negotiations it is understood that the Energy Group board, barring unforeseen developments, will recommend shareholder acceptance of the US group's offer at about 80p a share.

Energy Group is an amalgam of Hanson's energy interests and consists of Eastern Group, the only vertically integrated utility in England and Wales, and Peabody Coal, the US-based miner that is world's largest private coal company.

Questions were asked yesterday in the City about PacifiCorp's ability to finance the transaction without substantial asset sales.

By one analyst's reckoning, PacifiCorp would have debt of \$14.2bn against equity of \$6bn in the absence of asset sales to help pay for the deal. It is understood, however, that PacifiCorp intends to sell Pacific Tele-

com, its telecommunications subsidiary, and other assets including property to help fund the acquisition. These sales could raise some \$2bn.

Some, however, think the company may have to embark upon a more radical plan of asset disposals that might include a separate stock exchange listing for Eastern Group, Energy Group's UK subsidiary.

## N.V. Vandemoortele International

## Information for holder of certificates

In the General Meeting of shareholders held on June 10, 1997, it was decided to pay a gross dividend of Bfl. 240 per certificate over the year 1996.

The net dividend of Bfl. 180 per certificate will be payable at the office of F. van Lanschot Bankiers N.V., Hooge Steenweg 29, 3-Hertogenbosch and at the office of F. van Lanschot Bankiers (Luxembourg) S.A., 3 Boulevard Prince Henri, Luxembourg, as from June 11, 1997 against delivery of the dividend coupon nr. 9 of the certificates of privileged shares.

STICHTING ADMINISTRATIEKANTOOR VAN BEVOORRECHTE AANDELEN VAN N.V. VANDEMOORTELE INTERNATIONAL HOOGHE STEENWEG 29, 3-HERTOGENBOSCH

June 11, 1997

## STE (Securities Board of The Netherlands)

Pursuant to article 7 of the Major Holdings in Listed Companies Disclosure Act 1996 (Wmz 1996) the STE discloses the following notification(s):

AEGON N.V., Mariahoeveplein 50, 2591 TV The Hague (Registered office: The Hague), The Netherlands in A&N AMRO Holding N.V.

Total capital interest : 9.99% Total voting rights : -

A direct actual : - B direct actual : -

C direct potential : - D direct potential : -

E indirect actual : 9.99% F indirect actual : -

G indirect potential : - H indirect potential : -

Date on which the notification duty arose: 3rd June 1997

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please contact: Toby Finden-Crofts +44 0171 873 4027

Residential Mortgage Securities plc

Mortgage Backed Floating Rate Notes due 2034

In accordance with the provisions of the Notes, notice is hereby given that for the latest Period: 9th June 1997 to 9th September 1997, the interest rate will be 6.87266 per cent. for the Class A Notes, 7.12266 per cent. for the Class M Notes and 7.12266 per cent. for the Class B Notes. The interest payable on each denomination on 9th September 1997 will be £233.14, £277.58 and £242.40 respectively.

Residential Mortgage Securities plc, London Agent Bank

## intrum justitia

## Notice to Holders of Bearer Share Certificates

The holders of bearer share certificates of Intrum Justitia N.V., "the company" are hereby notified that the bearer shares must be converted into registered shares.

Article 15 paragraph 6 of the articles of association stipulates that after the period of five years mentioned in paragraph 1 of that article 15 (as from the date of the amendment of articles of association, i.e. July 8, 1992) bearer shares must have been converted into registered shares, and the holder of the bearer share certificates in the company can no longer exercise the rights to which such shares are entitled (voting rights and rights to dividends) and such shares will not be considered issued and outstanding in all cases where for the taking of a resolution by the general meeting of shareholders the issued and outstanding capital must be calculated, until such bearer share certificates have been delivered to the company for conversion into registered shares.

Curacao, 13 June 1997

## GIVE US A STAPLE

And don't forget to add your cheque to fund more Macmillan Nurses to help 1,000,000 people living with cancer. (1 in 3 of us will get cancer)

Cheque amount £..... made out to "CRMF (F3)"

Please send it to:

CRMF FREEPOST LONDON SW3 3BR

THE Macmillan APPEAL

Cancer Relief Macmillan Fund exists to support people with cancer and their families. Regd. Charity No. 261017

## RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Alphacore	Yr to Mar 31 14.1 (14.7)	1.12 (0.14)	2 (0.3L)	nil	nil	nil	nil	nil
Coderella	Yr to Mar 31 10.36 (12.07)	1.59 (4.38)	3.51 (9.5)	0.7	July 15	2.89	2.27	4
CPL Aromas	Yr to Mar 31 32.2 (28.7)	0.52A (2.93)	6.4L (18.4)	2.9	July 30	2.9	4.8	4.8
Daily Mail	6 mths to Mar 30 545 (478.6)	65.6 (41.9)	41.5 (25.9)	7	July 11	4.8	-	19.4
Debenhams	6 mths to Mar 30 8.3 (7.77)	0.815 (0.553)	3.45 (3.15)	0.96	Sept 1	1.03	-	2.75
Endodollar	Yr to Mar 31 100.7 (87.3)	8.25 (3.76)	12.87 (6.15)	4.5	Aug 5	1	6.5	4.12
FDI	Yr to Mar 31 1.003 (873)	87.6 (90.1)	9.22 (11.3)	3.5	Oct 6	3	8	5.2
Fuller Smith	Yr to Mar 29 102.1 (81.4)	11.6 (10.8)	30.71 (30.16)	6.89	July 1	6.3	10.03	9.22
Garrison Whiskey	6 mths to Apr 30 25.1 (21.9)	15.5 (6.91)	131 (6.6)	1.2	July 22	-	-	0.32
Hartland	Yr to Mar 31 196 (218)	2.13A (0.08)	1.3L (0.2L)	0.32	Aug 11	0.32	0.48	0.48
Johnson Matthey	Yr to Mar 31 2,580 (2,686)	108.3 (102.2)	361 (34.4)	10.8	Aug 4	10.1	15.5	14.5
JJ	Yr to Mar 31 68.6 (82.1)	6.8L (2.51)	20.8L (6.4)	3.3	Sept 5	2.3	4.85	4.85
LucasVarity	3 mths to Apr 30 1,205 (1,111)	72.1 (62)	5.2 (-)	-	-	-	-	2.25
Warland	6 mths to Mar 31 43.9 (37.2)	6.3 (8.09)	17.31 (15.5)	3.79	July 18	3.6	-	12.75
Proton	Yr to Mar 31 81.1 (72.9)	8.74L (10.3)	17.2 (17.2)	5	July 31	5	6.6	6.6
Scapa	Yr to Mar 31 561.8 (525.8)	65.5 (82.3)	19 (17.7)	5.28	Aug 15	4.89	7.2	6.88
Scottish Hydro	Yr to Mar 31 69.1 (87.4)	205.4 (195.1)	42.4 (38.7)	12.38	Oct 1	11.01	17.84	13.78
Shelford (Harting)	Yr to Mar 31 65.7 (67.9)	0.429 (0.888)	5.59 (9.65)	38	June 30	3	4.25	4.25
St James Beach	Yr to Mar 31 17.3 (18.2)	3.9 (1.4)	14.8 (4.4)	4	Aug 18	2	5.75	4.8
Tex	Yr to Mar 31 26.9 (22.7)	1.58A (0.323A)	14.4 (2.3)	3	Aug 22	2.3	5	2

Investment Trusts

	NAV (p)	Attributable earnings (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barbours Select	54 wks to May 31 71.6 (85.5)	0.098L (-)	0.48L (-)	-	-	-	-	-
Turkey	6 mths to Apr 30 264.28 (284.76)	0.015 (0.15L)	0.15 (1.52L)	-	-	-	-	3.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. A After exceptional charge. B After exceptional credit. C Increased capital. D Second interim in lieu of final. E Comparatives pro forma. F Allm stock.







## INTERNATIONAL CAPITAL MARKETS

## Rally on both sides of Atlantic

## GOVERNMENT BONDS

By Jane Martinson in New York and Michael Lindemann in London

Lower than expected US retail sales and growing optimism in Europe about a compromise over the stability pact prompted a strong rally in the bond markets on both sides of the Atlantic.

US TREASURY prices rose sharply at mid-session when May retail sales data showed a third consecutive monthly fall. The benchmark 30-year bond gained 1/8 to 96 1/8, yielding 6.789 per cent.

Economists said there was a growing consensus that weaker second-quarter growth would persuade the Federal Reserve to lift interest rates at the next meeting of its open market committee in July.

Mr Elliott Platt, at Donaldson Lufkin & Jenrette, echoed other economists when he said the three reports published yesterday indicated "sharp deceleration in activity is taking place during the current quarter".

The 0.1 per cent decline in May retail sales confounded market expectations of a 0.4 per cent rise in the overall figures. In addition, the report revised April retail sales figures downwards to a 0.3 per cent decline.

Two other releases of data also lifted market sentiment. A report on initial claims for state unemployment insurance showed a rise of 1,000 compared with an expected decline of 12,000. The May report from the Atlanta Federal Reserve also indicated slowing growth. "These data clearly bolster the case for the Fed keeping policy steady at its upcoming meeting," said Mr Platt.

The two-year note rose 1/8 to 100 1/8, yielding 6.044 per cent, while the 10-year bond rose 1/8 to 101 1/8, yielding 6.477 per cent.

GERMAN BONDS followed the US lead. The September bund future settled at 101.36, close to an intra-day high of 101.44 and 0.60 higher on the day.

However, bunds outperformed Treasuries and most European markets. The spread of Treasuries over bunds widened one basis point to 88 points while the spread of bunds over OATs tightened two basis points to 7 points.

UK GILTS joined the fray, helped by May data which showed retail prices excluding mortgage payments at 2.5 per cent for the second month in a row.

Meanwhile, investors appeared to be waiting for the full text of the Mansion House speech by Mr Gordon Brown, the chancellor, before making their moves.

Mr Simon Briscoe, UK economist at Nikko Securities, described the details available as "incredibly important". He said further interest rate increases were now very unlikely and "by the end of this year people may even begin talking about interest rate cuts".

However, Mr Briscoe said the long end of the yield curve would perform badly because the new system outlined by Mr Brown did not give the Bank of England sufficient flexibility and was likely to be unstable.

The September gilt future settled at 114 1/4, up 1/8. ITALIAN BTPs and SPANISH BONOS both seized on

reports that France and its European partners seem to have found a compromise to defuse the row about the stability pact.

The September BTP future settled at 131.63, up 0.63 on the day, while the June bond future closed at its high of 116.80.

A statement from President Jacques Chirac's office indicating a deal at today's Franco-German summit in the western town of Poitiers bolstered FRENCH OATs.

The June national future settled at 130.22 but headed to 130.22 in after-hours trading.

Mr Philip Tyson, OAT analyst at HSBC, said the markets seemed to have factored in the good news from Poitiers but could well rise further if next week's Amsterdam summit lived up to expectations.

## Good May for most hedge fund managers

By Samer Iskander

An overwhelming majority of hedge funds showed positive returns in May, according to a survey published yesterday.

Of a total of 400 funds, 86 per cent showed positive returns and almost 10 per cent achieved surpluses of more than 10 per cent, according to M&B/Hedge, an independent firm that tracks fund performances.

Only 10 of the funds had losses of more than 10 per cent.

The strongest category was that for global managers, with US opportunity fund managers gaining 5.6 per cent on the back of a strong US stock market. Ninety of the funds beat the performance of the S&P 500 index, which was up 6.1 per cent.

"Excellent performance was noted in small-cap and technology stocks," said Lois Peitz, managing editor of M&B/Hedge.

Short-selling funds, which bet on a fall in the market, had the worst performance, falling 10.32 per cent on average.

Market-neutral funds, which do not take a view on the direction of prices, were also weak, with positive returns of 0.81 per cent.

The pattern generally confirmed the trend of the first five months of the year, with average returns ranging from 4.5 per cent to 7.7 per cent. Short-sellers, once again, were the exception, falling 2.7 per cent.

## CAPITAL MARKETS NEWS DIGEST

## Croatian bank raises DM400m

Zagrebacka Banka, Croatia's largest and most profitable bank, has raised DM400m through a three-year term loan, at a cost of 50 basis points over Libor. The 53-bank syndicate was led by Chase Investment Bank and Dresdner Bank, with DKB as agent and BZW responsible for the information memorandum.

The loan for the 30 per cent foreign-owned bank whose shares are listed in London, was oversubscribed with DM550m on offer. It replaces a 13-month SFR130m facility raised through UBS last year. This expired in March but was rolled over for three months until June, when ZB decided to go for a term loan rather than the originally planned bond issue.

Although priced at a wider spread than recent syndicated loans to Czech banks, yesterday's deal reflects growing pressure on lenders to accept relatively thin margins on loans to east European borrowers. A banker involved in the syndicate that arranged a \$1.5bn loan for the Czech National Bank earlier this week, said banks were also looking for "ancillary" benefits from participation in the deal.

The CNS deal, priced at 10 basis points over Libor rising to 12.5 basis points if more than 60 per cent is drawn, was the largest syndicated loan to an east European borrower to date.

Anthony Robinson

## ISDA calls for euro strategies

The International Swaps and Derivatives Association, which represents banks active in the derivatives markets, has called on providers of financial information to announce their strategy to deal with the planned introduction of a single European currency, the euro, in January 1999.

"The introduction of a single currency raises the prospect that price sources for national money markets would cease to exist," ISDA said. "This raises business, legal and systems issues which need to be addressed in a timely manner to ensure that there are no adverse implications for the continuity of financial contracts which refer to these price sources."

Samer Iskander

## Uruguay seeks S&amp;P upgrade

Uruguay is optimistic that Standard & Poor's, the US credit rating agency, might soon follow Moody's in granting it an investment grade rating. "After Moody's upgrade, we are waiting for a review by S&P," said a Washington-based representative of Uruguay's central bank. "We are expecting to be upgraded."

Moody's raised Uruguay's sovereign rating to Baa3 earlier this week. Yesterday, it announced a review for a possible upgrade of the ratings of two Uruguayan banks, Banco Comercial and Banco de Montevideo.

On S&P's scale, Uruguay is rated BB+, one notch below investment grade. IBCA, the European agency, has recently upgraded the country's sovereign debt to BBB-, its lowest investment grade rating.

Samer Iskander

## Less call for 10-year deals

## INTERNATIONAL BONDS

By Edward Luce

Primary issuance of dollar eurobonds quietened yesterday after a hectic 10 days, although traders reported some tightening in the secondary markets. Good US retail figures saw most dollar issues claw back some of the week's earlier losses.

Traders also reported a slackening in demand for 10-year dollar issues after the furious pace of recent offerings in that maturity.

The US Treasury's decision this week to cut the number of 10-year offerings from six to four a year has reduced the scope for hedging against 10-year corporate paper, while boosting overall liquidity.

ASSOCIATES CORPORATION, the US finance house, echoed the 10-year sector with a five-year eurodollar offering. The \$500m deal, jointly led by Morgan Stanley and Lehman Brothers, was priced to yield 33 basis points over Treasuries.

"Investors don't want another AAA-rated bank issue at a spread of 8 or 10 basis points over," said an official. "Aaa/AA-rated deals are rare in five years."

Elsewhere, TOYOTA MOTORS tapped the lira market for the first time in 10 months, with a L200bn five-year deal priced to yield 7.5 basis points over BTPs. Officials at Credito Italiano, sole manager, said the strong rally in BTPs yesterday gave an unexpected boost to the deal.

## New international bond issues

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book-taker
IN US DOLLARS							
TFM, senior notes(a)	180	10.25%	100.00	Jun 2007	3.00	+370BPM(44-07)	Morgan Stanley DW
TFM, any disc debt notes(a)	443.5	6.15%	95.4302	Jun 2008	3.50	+320BPM(44-07)	Morgan Stanley DW
Chicomilco	200	6.00%	96.0135	Jun 2002	0.765	+200BPM(44-07)	Bank of America
Bear Stearns Companies Inc	250	6.00%	96.0135	Jun 2004	0.305	+200BPM(44-07)	Bear Stearns Int
Bear Stearns	200	6.375%	96.0271	Jun 2000	0.1875	+30BPM(44-07)	Bank of America
Genetec	50	6.00%	96.0135	Jun 2002	0.105	+200BPM(44-07)	Bank of America
IN EURO DOLLARS							
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.375%	96.0271	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon
Salomon Inc	100	6.00%	96.0135	Jun 2002	0.325	+550B	Salomon

First terms, non-callable unless stated. Yield spread over relevant government bond at launch supported by lead manager. 2 Floating-rate notes, 50% annual coupon. 3 Fixed rate notes, fees shown at re-offer level. 4 Callable from 15/02/02 at 100% of face plus 3% pa to par. 5 100% of face plus 3% pa to par. 6 100% of face plus 3% pa to par. 7 100% of face plus 3% pa to par. 8 100% of face plus 3% pa to par. 9 100% of face plus 3% pa to par. 10 100% of face plus 3% pa to par. 11 100% of face plus 3% pa to par. 12 100% of face plus 3% pa to par. 13 100% of face plus 3% pa to par. 14 100% of face plus 3% pa to par. 15 100% of face plus 3% pa to par. 16 100% of face plus 3% pa to par. 17 100% of face plus 3% pa to par. 18 100% of face plus 3% pa to par. 19 100% of face plus 3% pa to par. 20 100% of face plus 3% pa to par. 21 100% of face plus 3% pa to par. 22 100% of face plus 3% pa to par. 23 100% of face plus 3% pa to par. 24 100% of face plus 3% pa to par. 25 100% of face plus 3% pa to par. 26 100% of face plus 3% pa to par. 27 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# COURIER AND EXPRESS SERVICES

Charles Batchelor looks at the factors that are shaping the development of the fast-growing industry

## Forward to new frontiers

The express parcels industry has enjoyed rapid growth for more than two decades, with little sign of a slowdown for the foreseeable future. Customers have come to expect almost instant delivery, whether the consignment is car parts or a legal document, while manufacturing industry's move to just-in-time techniques places a premium on speed and reliability.

It is true that increasing competition has led to price discounting, which has meant volumes have risen faster than revenues, while the established markets of North America and western Europe are starting to reach maturity. But while pressure remains on industry to reduce costs and world trade continues to increase there will be plenty of opportunities for the courier companies to exploit. Markets such as China, eastern Europe and South America have still to be developed.

On a global scale, four large companies - UPS and Federal Express from the US, the Brussels-based DHL, and TNT, now part of KPN, the privatised Dutch postal and telecommunications group - have established strong positions. But they are relative small fry in many national markets, where local groups still dominate.

Two of the largest international operators both reported strong rises in revenues in 1996. UPS increased its worldwide business by 9.5 per cent to more than \$22bn, while revenues in Europe rose even faster - by 15.4 per cent to nearly \$2bn. FedEx raised its world revenues by 9 per cent to \$10.3bn.

In the UK, the combined turnover of express delivery services grew by 4 per cent last year to £2.07bn, of which £1.45bn was deliveries within the country. The total market is expected to rise to £2.69bn by 2001, according to a study by MSI Marketing Research for industry.

A recent survey by the aircraft manufacturer, Boeing, found that the international express market accounted for 5 per cent of the total international air cargo market in 1995, an increase of 22 per cent on 1994 levels. Growth is expected to continue at an average rate of 18 per cent to reach nearly 40 per cent of the international air cargo market in 2015.

Recent years have seen the apparently remorseless advance of the "integrators", companies such as the "big four", which provide a seamless service including pick-up, shipment, customs handling and final delivery. They date back to the late 1960s when companies had three alternatives if they needed to send documents and parcels overseas: they could use their local post office, which was slow; specialist couriers, which were both expensive and limited by the weight they could carry; or standard air freight, which usually involved customs delays.

Companies such as DHL, set up in California in 1969, saw a gap in the market for a fast, reliable and cost-effective method of distribution. Initially, the newcomers focused on emergency deliveries of documents but they later developed to handle routine shipments of consignments of all sizes.

The integrators wrong-



UK market forecast by consignment destination

	Volume (millions of parcels)	Value (£m)	Volume (millions of parcels)	Value (£m)
1995	859	1,605	38.7	888
2000	753	1,880	42.2	746
Source: MSI forecasts				-1996 prices

UK market

	Volume (millions of parcels)	% change	Value (£m)	% change
1993	439	+13	1,580	+15
1994	482	+5	1,870	+5
1995	521	+2	1,888	neg
1996	555	+5	1,965	+3
1997	519	-5	2,074	+4

footed the traditional air-freight industry, where freight forwarders book shipments through the airlines, and caught the nationalised post offices on the hop.

The freight forwarders/airlines have still to develop an effective response, according to one recent survey, though some are seeking it through link-ups with the integrators. The post offices, too, have struggled to compete outside their protected markets for standard letters,

though they, too, are becoming more commercial and, in the case of KPN in the Netherlands, acquiring integrators.

A survey of the air cargo industry by Unysis, an information technology group, reported that its procedures were cumbersome and prone to error compared with the integrators. The survey, based on 2,000 shipments, found that the airlines and freight forwarders were slower and handled consign-

ments or their documentation more frequently, increasing the likelihood of damage and errors.

While the airline/forwarder moved or sorted documents on average 10 times for each shipment, the integrator handled documents only four times. The airline/forwarder keyed documents four times and the integrator only once. The airline/forwarder stored or retrieved a consignment eight times while the integrator carried out no storage at all, planning each stage of the shipment cycle in advance.

One large freight forwarder, the Swiss Danzas group, has recognised the problem of combining "heavy" freight shipments with the fast express services. It last year signed a co-operation agreement with UPS whereby the US group will handle the express documents and packages side of Danzas's business and Danzas take over the heavy side of UPS's operations.

"The agreement reinforces our objective to focus on letters, documents and packages," says Mr Ed Reimann, president of UPS Europe. "Removing the transportation of heavy freight from the network improves its efficiency."

The courier industry's other traditional rivals, the national post offices, are also having to adapt to changing markets and become more

commercial. So far, the Netherlands has been the only country to privatise its post office, though the government retains a large minority stake. Germany plans to begin to sell off Deutsche Post next year, while Finland has allowed competition in some services.

The European Union has been working for several years on plans to liberalise postal services but fears about job losses and defensive action by the post offices have delayed implementation (see story, page 2). The European Express Organisation (EEO), representing express delivery companies throughout the continent, believes universal change will not take place until at least 2003.

In the meantime, the private operators believe, the post offices will continue to exploit a privileged position. The EEO is unhappy with some of the proposed details of the draft directive. It wants a wording that allows for the protection of a universal service for individual customers but not for the protection of the present universal service provider: the national post office.

The private operators are also concerned that the post offices will continue to be able to cross-subsidise competitive services from monopoly revenues. The current draft directive allows

cross-subsidy when justified "by the cost of the universal service obligation". Competitive services provided by post offices are only required to cover their average incremental cost, which could allow the post office to use its letters monopoly to pay for its fixed costs, the EEO says.

In the UK, the election of a Labour government after 18 years of Conservative rule, has prompted another review of the options for giving the post office greater commercial freedom. It has also re-opened the debate about a wide range of transport and environmental issues affecting the courier industry.

The new government, which has created a single superministry for the environment, transport and the regions, intends to take a fresh look at integrated transport, the environmental costs of road journeys and transport charging.

Issues such as motorway tolling, the maximum permitted size of lorries and night flying from UK airports are all expected to come up for review by Mr John Prescott, deputy prime minister and environment and transport secretary.

This might give an added impetus to attempts to move more goods, including possibly express parcels, by rail. In the past, rail has been particularly unsuited to high

speed deliveries because of its inflexibility. But the opening of the Channel tunnel has linked the UK rail network with that of continental Europe. Many couriers already use the tunnel for international deliveries.

The largest UK rail freight company, English Welsh & Scottish Railway, is introducing high speed domestic services that it believes can compete with road.

The European Union, meanwhile, has plans for high speed freight "freeways" that would improve the attractiveness of rail, if implemented. Parcellor, the UK post office's parcels subsidiary says it is keen to use specially designed road trailers that can also be carried on "piggyback" rail wagons.

DHL says that it considered acquiring a Eurostar-style train to carry its parcels through the Channel tunnel, but the cost of building a rail terminal and links to its Brussels air "hub" meant the idea was not economical.

The larger express deliveries companies have established sizeable aircraft fleets to move their parcels around the world. The prospect of them also running their own trains could revolutionise still sleepy railway administrations as well as meeting some of the concerns about the environmental impact of the express deliveries sector.

MERGERS AND ALLIANCES • by Phillip Hastings

## Companies link, therefore they can

Rival operators are uniting in the cause of the international marketplace

Like the distribution industry as a whole, leading courier and express service operators are increasingly seeking to offer customers "one-stop shopping".

By that, they mean providing a broad portfolio of domestic and/or international services catering for a range of customer requirements and types of consignment.

However, even the large global express companies have found that developing such capabilities requires resources and investment beyond their own individual scope.

This has led to greater co-operation in the industry, in many cases involving partnerships and deals between competitors.

Actual takeovers among the larger international express companies have been fairly rare. One exception was the recent acquisition of the Australian worldwide transport group TNT - best-known for its GD Express Worldwide operation (trading under the name TNT Express Worldwide) - by the Dutch postal and telecommunications corporation, KPN.

Explaining the deal, a

KPN spokesman said both organisations had "recognised the benefits to be gained from the combination of their respective time-sensitive distribution and logistics operations within a number of countries around the world".

Earlier corporate activity in the express industry saw the German airline Lufthansa and Japan Airlines each take a 25 per cent stake in DHL International during 1992.

Although those investments have not led to any outwardly visible dramatic developments, the three parties say they are continuing to develop their co-operation, albeit quietly.

Mr Stefan Laner, Lufthansa Cargo executive board member, says that the stake in DHL has been "one of the best investments ever made by the Lufthansa group".

"We have looked for various synergies and possibilities to co-operate and a lot of things have materialised, particularly in the field of transportation and infrastructure."

DHL's and Lufthansa's focus so far, however, seems to have been on a kind of "silent" co-operation.

"We have not yet really explored to the full extent the possibilities of co-operating in marketing and sales but I am confident that we can also establish closer links in those areas," Mr Laner adds.

Generally, the trend towards greater co-operation has tended to be in the form of alliances, both formal and informal, and in partnerships of various types.

Prominent developments during 1996 included the establishment of a co-operation agreement between the US-based express giant United Parcel Service (UPS) and the Swiss-based forwarder/logistics service company, Danzas. Under the arrangement, the former handles all European heavier weight freight - specifically, palletised shipments of over 70 kilos - for the latter. Danzas is in turn able to access the UPS worldwide express network for European business.

In a slightly different context, the US-based forwarder ARI has formed a link with DHL. For the past five years, ARI has outsourced the supply of line-haul capacity for its Pandalink intra-European express service to DHL Aviation.

"Although no formal agreement exists, we are using each other's specialist capabilities for both low-weight courier business and heavier shipments on a reciprocal basis for specific multinational accounts," says Mr Tony Miller, ARI's European product development director.

Other alliances involve international companies and local operators. To function in the Indian market, for example, UPS, FedEx and

### Leading pan-European express alliances

Country	Express	General Parcel	DPD	Eurodis	Euronet
Austria	Alpen Express Network	Alpen Express	DPD UK (Eurosaver)	Business Post	ANC
France	Gamaud	TAT Express	DEP France	Semadis	France Partner
Germany	Logos	Express Parcel	DPD North	Trans-log	NET Nachtexpress Terminaldienst (KPN)
Belgium	Van Gend & Loos	BPD Belgium Parcel	DPD Belgium	Van Osselae-Pleters	Colandini
Netherlands	Van Gend & Loos	WPD	DPD Netherlands	Correct Express	Dentex Systemtransport
Luxembourg	Van Gend & Loos	Original Parcel	DPD Luxembourg	Van Osselae-Pleters	Colandini
Austria	Gabriel Welter	Express Parcel	DPD Austria	Trans-o-log	NET Nachtexpress Terminaldienst (KPN)
Spain	Aldo	Pedro Lizaraso Trans	DPD Iberica (Servipack) (correo Spain)	Gulpzoozema	n.a.
Portugal	Alto	Express Parcel	DPD Iberica (Servipack) (correo Spain)	Ribes	n.a.
Italy	Bartolini	Direttore Gruppo	DPD Italy (MIT Serv)	Gulpzoozema	NES
Finland	Finlog	Express Parcel	Mittler & Munch	n.a.	n.a.
Denmark	Lingstedt	Pakke Trans international	DPD Denmark (DanTransport)	A-Post	NET Nachtexpress Terminaldienst (KPN)
Sweden	Lingstedt Transport	Pakke Proffsen	DPD Nordic (Fraktaria)	Blispedition	n.a.
Norway	Nordisk Transport	Pakke Trans AS	DPD Nordic (Tollpost-Globe)	Blispedition	n.a.
Poland	Polish Express Transport	General Parcel CV	DPD Nordic (Tollpost-Globe)	Blispedition	n.a.
Finland	n.a.	Williams Transport	DPD Nordic (Tollpost-Globe)	Business	n.a.
Switzerland	Jacky Mascher	n.a.	DPD UK (Eurosaver)	n.a.	n.a.
Czech Republic	n.a.	n.a.	n.a.	n.a.	CESPED
Slovak Republic	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	n.a.	n.a.	n.a.	n.a.	n.a.
Poland	n.a.	n.a.	n.a.	n.a.	n.a.

Source: World Management Services



TECHNOLOGY • by Michael Terry

## The fast track to service

The development of online tracking systems is seen as a way of winning competitive edge

Three dozen small and medium-sized computer retailers across the US have started promoting and distributing goods around the world in spite of having no global trading networks of their own.

By setting up a web site on Virtual Order, the internet service being tested by US integrator, FedEx, the retailers advertise their products in more than 200 countries and arrange for FedEx to carry out express delivery of orders.

FedEx can manage inventory and pack orders should retailers require it.

Virtual Order's link into FedEx's real-time global tracking and tracing system allows the retailers and their customers to follow the progress and completion of each delivery.

If tests are successful, FedEx plans to offer the service across the US by the end of this year and introduce it in Europe in 1998.

This latest use of the internet is a vivid example of how the express industry is developing its use of information technology, not just to enhance its service to customers but also to open up markets and control costs.

Mr Rick Goldhoor, responsible for FedEx's electronic connections with customers in Europe, the Middle East and Africa, says: "Express operators have traditionally provided closed, proprietary networks for customers to upload shipping information, track packages and carry out billing transactions. The costs and logistics of providing customer links have restricted access."

"Because the internet provides an open and freely available network it is opening up the market."

"In April over 5m callers from 117 countries accessed the FedEx web site. Of those, more than 1m were tracking packages. That means there



Lightening the load...DHL allows customers to track consignments via a voice-recognition telephone service

were 1m telephone enquiries that our customer service staff didn't have to deal with."

Virtual Order is part of an enterprise strategy being developed by FedEx that will offer integrated transport and logistics services such as order entry and confirmation, inventory management, transportation, invoicing and after sales services for returns or repairs.

Express operators agree that technology will continue to be the industry's greatest differentiator.

They say the demands of cost conscious, global manufacturers for faster and more reliable transit times and for user-friendly systems that provide ever more detailed and speedier information on the status of consignments, are driving the technology at a breathtaking pace.

Parcelforce, the parcels division of the UK Post Office, last month launched

what it is billing as Europe's most powerful export parcels tracking system, International Acceptance Gateway. Part of Parcelforce's £18m parcel management system, it can scan all the 4m export parcels Parcelforce deals with each year.

The screen-based system runs under Microsoft Windows. Parcels are automatically weighed, and sorting operators scan their barcodes and input details of country and product.

Customers linked to Parcelforce's Despatch Manager system can access on their own computer screens the latest information - the type of service used, the date the package was posted and the weight of the package.

Customers without a computer link can get the information with a free phone call to Parcelforce's national inquiry centre or by electronic mail.

Parceline, the UK parcels

operator, is testing a computerised, hand-held route control and signature capture pad, codenamed Saturn.

After uploading delivery information in the morning, Saturn prioritises deliveries according to service level and has the flexibility to allow drivers to reschedule where appropriate. The driver scans each parcel he unloads. If he tries to deliver an incorrect parcel, Saturn indicates the error.

The unit fits into a cradle mounted in the cab of the collection and delivery vehicle and, by connecting with a digital cellular phone service, transmits proof-of-delivery information, including an image of the signature, immediately after delivery is completed.

Mr John Acton, Parceline marketing manager, says that the company has invested more than £3m developing Saturn and hopes to launch it nationally later

this year.

DHL, the international document carrier, recently launched an interactive voice response facility in the UK to provide more customer-friendly access to shipment information. It allows customers to track the progress of their shipments using a touch-tone telephone.

Once a customer has called a special number a recorded message gives simple instructions on how to track a shipment. In confirming delivery it spells out the name of the receiver. The information can also be received by fax.

The system uses an application called Edify Electronic Workforce to convert the electronic data on DHL's tracking and tracing system into a voice message and is already in use in Scandinavia, Italy, Portugal and Spain.

Mr Martin Carrae, DHL's commercial systems manager in the UK, says the company is developing a voice recognition system that will enable customers to track a shipment by speaking down the phone. He says that the world wide web will become the most important channel for communicating with customers and making transactions but he admits that there is still a long way to go. He estimates that no more than 15 per cent of UK companies currently have access to the web.

"If you were to put all your eggs in a web basket right now not all your customers would be able to connect with you," he says.

In expectation of what lies ahead, however, DHL - which currently offers tracking and tracing only on its web sites in the US, UK, Ireland and Peru - is working on modules that will allow worldwide customers to book and pay for shipments on the web.

Michael Terry edits the specialist logistics newsletter, *European Freight Management*

DEREGULATION OF POSTAL SERVICES • by Phillip Hastings

## Stamped with doubt and delay

To the industry's frustration, the liberalisation of European mail services is slow

Mandatory liberalisation of direct mail and cross-border mail operations in the European Union (EU) now looks unlikely for at least another five years.

That, at least, is how express and mail industry sources are interpreting the latest EU developments. They also point out, though, that commercial pressures are already effectively liberalising many sectors of the international mail market both in Europe and worldwide.

For example, the Dutch postal and telecommunications corporation, KPN, recently bought one of the world's leading private sector express and mail service operators, TNT Express Worldwide.

Its German counterpart, Deutsche Post, last month confirmed plans to buy foreign companies as part of its international expansion, starting with takeovers in Poland and Belgium.

Meanwhile, the UK's Royal Mail International says it is focusing on the development of "strategic partnerships". All those trends were highlighted in a survey on "The Future of the International Mail Industry" published last year by the UK-based consultants Triangle Management Services.

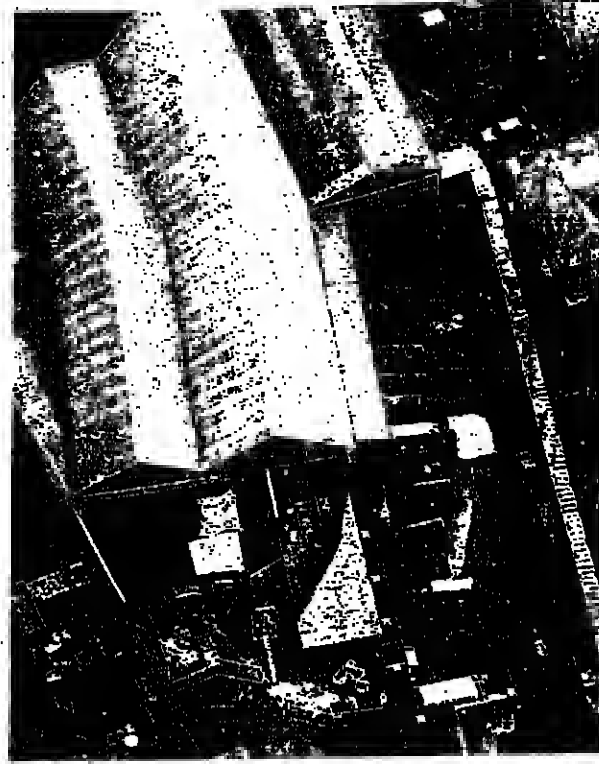
"There has been much talk about postal deregulation but little progress towards significant regulatory change. Meanwhile, 'de facto' liberalisation of the international mail market is proceeding rapidly," commented the survey.

"The picture that emerges is one of increasing complexity as high-volume post and telecommunications authorities make aggressive moves abroad and sign delivery agreements with private operators."

At one point early last year, formal liberalisation of most EU international mail activities looked close to being agreed. A European Commission (EC) draft directive outlining plans to harmonise EU postal service quality was approved by the European Council and appeared set for implementation by later this year.

That directive, published by the EC posts and telecommunications directorate, DGXIII, called for retention of a "universal" postal service, which it defined as the availability of standard mail services at economic and uniform prices for everyone within the EU.

On the international side, the directive also stated that outgoing cross-border mail would be excluded from the reserved services. Incoming cross-border mail, it added, might continue to be reserved until December 31, 2000 if that were "necessary for the financial viability of the universal service provider". The same could apply



Royal Mail depot: the UK service favours 'strategic partnerships'

to direct mail traffic such as advertising and marketing material.

However, the continuing reluctance of some EU countries to expose their postal administrations to greater competition has resulted in the progress of the directive being stalled and the proposed liberalisation timetable being extended. The most recent development was at the end of April when the EU Council of Ministers formally adopted a "Common Position" on the latest version of the proposed directive.

Basically, the text of that agreement called for postponement of mandatory EU-wide liberalisation of the direct mail and cross-border mail sectors until at least the year 2003, with the Council and the European Parliament having the opportunity to review that situation before the year 2000.

The Common Position also specified that the EC would decide on June 30, 1998, at the latest, on the "appropriateness of delaying the date of liberalisation, taking into account other developments, in particular economic, social and technological developments that have occurred in the sector and taking also into account the financial equilibrium of the public service provider(s)".

The proposed postal directive must now pass through the European Parliament for a second reading, expected to take place later this year. The further delay in implementation of the directive has added to the frustration of the private sector express industry, which is keen to gain access to more mail business. There is also concern that even the latest dates announced might not be met.

"So far, the Commission has neither established a review procedure nor commissioned detailed economic surveys on the sector," commented the European Express Organisation.

The picture is further complicated by the fact that the

EC's competition directorate, DGIV, is shortly due to publish a notice, as opposed to a directive, outlining its views on the liberalisation of postal services.

Speaking at the annual World Express and Mail Conference in Frankfurt, Germany, on May 15, Mr Jean-François Pons, deputy director general of DGIV, said final drafting of that notice was currently under way and it was hoped to submit the document to the EC "in the next few weeks".

Private sector express and mail service companies are hoping the DGIV notice will call for far greater liberalisation of the industry than that proposed in the DGXIII directive.

That, they admit, might further prolong the internal wrangling within the EC which, they believe, has been primarily responsible for the long delay in agreeing postal liberalisation measures.

Postal authority sources, though, are keen to play down the possibility of conflict between the DGXIII directive and the DGIV notice.

"At one time, there was a possibility that the two would clash but I do not think that will be the case now," says Mr John Dunlop, director and general manager of Royal Mail International.

"The complication, though, is that we do not know how the notice might be interpreted by the courts should a case arise."

That sort of uncertainty is adding to the frustration of both private sector delivery operators and mail service customers. The concerns of the latter were voiced by Mr Colin Mitchell, chairman of the European Mail & Express Service Users Association (EMESUA).

"We are frustrated at the dilution of the directive and the continuing delay in issuing the notice. From the user's point of view, it all means continuing uncertainty," he says.

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PROFILE UPS

## Tough result to deliver

Observers doubt UPS's chances of overtaking the world market leader, DHL

With the opening last month of a \$4m Asian hub at Taipei, UPS, the US integrator owned by its managers, took another step in its bid to wrench leadership of the international express market from the well-entrenched DHL Worldwide Express.

Given the size of the gap, observers are sceptical about UPS's chances of success. Even UPS managers refuse to name a target date.

Estimates by Boeing, the US aircraft builder, based on revenue and volumes, put DHL in the lead with a 38 per cent share. UPS, with 13 per cent, is placed fourth after FedEx and TNT Express Worldwide.

Mr John Flick, UPS spokesman, says the opening of the Taipei facility gives it a third international hub - the

others are at Louisville in the US and Cologne in Germany - to allow it to develop the Asian market in the same way as North America and Europe. The company is also turning its attentions to Central and South America.

Mr Flick says the UPS strategy is focused on providing express services, particularly next-day deliveries, for packages and multiple shipments, including manufactured goods, for pieces weighing up to 70kg.

Uniform documentation and billing and premium services that offer next-morning deliveries between most cities are being introduced. Investment is being put into vehicles, infrastructure and a common systems technology.

He says: "We have gone for a mix that goes beyond documents. The emergence of facilities like faxes and the internet suggests documents may play a diminishing role in the market."

Mr Ed Reitman, UPS European president, says a

\$1.1bn investment in Europe in the next five years underpins a two-pronged strategy aimed at strengthening intra-European as well as global services.

UPS says information technology and communications are its strengths. It will spend \$1bn a year for several years to update its network.

It spent \$17m on the European launch of the DIAD hand-held proof of delivery computer system that allows drivers to key in delivery data, digitally capture consignees' signatures and download information to UPS's mainframe so that customers around the world can receive confirmation of a delivery within minutes.

An added strength of its European operations is the ability to link with its specialist subsidiary, UPS Worldwide Logistics, to offer added value services. An example is the European operation of the US-owned computer manufacturer, Gateway 2000, which sells direct to the customer.

Orders phoned to the company's European factory in Dublin are picked and packed by Gateway staff. UPS staff on the site arrange shipping. Using ferry and road services, consignments move through its European road network via hubs in the UK, Germany and France for delivery to the customer. Delivery time is about three days.

Consignments for customers wanting express delivery are flown to Cologne and moved through the network by the fastest appropriate means.

Mr Flick says that in the four months after the European strategy launch last September UPS parcel volumes rose by 8 per cent.

UPS, which had worldwide revenues of \$22bn a year, is now concentrating on Asia. Rights to pick up cargo for destinations outside Japan, obtained through a bilateral agreement between the US and Japan, have allowed it to connect Japan with the rest of Asia.

Michael Terry





Polished for take-off to capitalise further on the burgeoning freight market, Japan Airlines has set up a special subsidiary, Jupiter Air

**AIR FREIGHT** • by Phillip Hastings

## Good things come in big packages

The ability to transport heavier goods is helping to sustain an air-carrier boom

Increasing globalisation of manufacturing activities around the world and ever-tightening supply chain schedules are stimulating greater demand for air express services.

Initially, such services catered primarily for documents and smaller packages. Now, many customers are also seeking fast air-based movement of larger parcels and freight.

Much of the progress in terms of regional and global air express service development has been made by the "big four" operators - DHL, United Parcel Service (UPS), Federal Express and TNT Express Worldwide. Known as "the integrators" because they provide integrated door-to-door services, all four use a combination of their own aircraft capacity and that of scheduled airlines.

The US-based operators UPS and FedEx lead the North American market. In Europe and Asia, though, the battle for market share is intensifying as all four accelerate their development of facilities and capacity.

In April, for example, UPS formally opened its main Asian hub at Taiwan's Chiang Kai Shek international airport (see profile, page 2). According to UPS it is the "cornerstone" of a \$400m long-term investment strategy in Asia. It is the company's third leading international air hub - the other two are at Louisville in the US and Cologne, Germany.

The integrators are also increasingly paying more attention to second-tier markets such as the Middle East and Africa. In April, for instance, FedEx officially opened a new Middle East Gulf gateway operation at Bahrain international airport. The facility has sorting capabilities and will act as a point of entry for Bahrain and the Eastern Province of neighbouring Saudi Arabia.

However, while this big four continue to grab many of the headlines in terms of air express service development, they have plenty of competition.

Growing customer demand for air express movement of heavier weight shipments is creating new opportunities for freight forwarders. Having in recent years lost much of their smaller-parcel business to the integrators, they argue that their greater flexibility of operation gives them certain advantages when it comes to handling bigger parcels and freight.

Through its Nordic Express service the Scandinavian-based forwarder, ASG, for example, flies bigger-goods shipments overnight between East Midlands Airport in central England and Gothenburg, Sweden, via Copenhagen in Denmark. One of its key express service customers is the Swedish vehicle manufacturer, Volvo, which has getting on for 200 suppliers in the UK.

"We pick up shipments from those suppliers and fly them overnight to Sweden," says Mr Brad Brennan, ASG's UK sales and marketing manager. "In some cases, we effectively offer a 12-hour delivery service. As late as 2100 hours we collect parts

and components that have to be on the Volvo production line in Gothenburg at 0630 hours the next morning."

Another forwarder operating well-established express services within Europe is the US-based ARL. The company's Pandalink system, which currently offers overnight and deferred delivery options, is specifically geared to larger shipments.

International airlines are also continuing to battle for a share of the wider air express market, reflecting the fact that it is generally reckoned to be the fastest-growing sector of the overall airfreight industry. Mr Ray Jewell, cargo marketing and sales manager for Hong Kong-based Cathay Pacific Airways, says express services now account for a "double digit" percentage of that carrier's overall cargo revenue.

Similarly, the German carrier Lufthansa says its Flash airport-to-airport and airport-to-door express services now generate around 15 per cent of worldwide revenues for its cargo business, Lufthansa Cargo.

According to Mr Stefan Lauer, Lufthansa Cargo executive board member, the company is now looking to develop express-type services with additional "added value" features.

Meanwhile, KLM Cargo of the Netherlands is planning trials of a new airport-to-airport wholesale express service from the beginning of July. Called simply KLM Cargo Express, the service will offer late shipment reception times and guaranteed capacity. It will cater for parcels/documents of up to 80 kilos and of certain specified dimensions.

Most airlines in fact now tend to focus on providing wholesale services, in other words working with courier/express companies and forwarders rather than directly with shippers.

One of the main reasons for this is summed up by the UK airline, Virgin Atlantic, which offers a systemwide wholesale airport-to-airport product and an airport-to-door operation to key US centres and Athens/Istanbul. "The retail side would be far too labour-intensive for us to get into. It would in any case be almost impossible to develop such a business to a reasonable size because others already have such a hold on the market," says Mr David Woodward, general manager commercial for Virgin Cargo.

Many airlines also believe they should concentrate on their traditional core airport-to-airport freight services and work with intermediaries when it comes to handling air express business.

South African Airways, for example, recently extended its courier general sales agency agreement with the wholesale express company Bridges Worldwide.

"Using a specialist organisation like Bridges Worldwide to sell courier services means we have a strong and dedicated focus on this important part of our business," says Mr David Adams, SAA's acting cargo manager UK and Ireland.

Other airlines take a different approach. Japan Airlines (JAL) has established a linehaul/wholesale express and airfreight subsidiary, Jupiter Air, which can use the capacity of other carriers and so offer broader geographical coverage.

**ENVIRONMENT** • by Michael Terry

## Sound controls cause disquiet

The 'big four' are concerned by the EU consultation paper on aircraft noise

Aircraft noise has been firmly placed at the top of the list of environmental challenges facing the express delivery industry.

The integrators - the industry's group of leading operators, such as DHL, FedEx, UPS and TNT Express Worldwide, which combine international road and air transport services with forwarding and customs broking - are accustomed to having their operations closely scrutinised because of their effect on the environment.

But alarm bells are now ringing because they believe the European authorities are seeking to introduce Europe-specific limits on aircraft noise. The integrators say these would undermine international practices and are too restrictive.

They have stated their concern about a range of issues in the European Commission's consultation paper on aircraft noise, including

proposals to phase out "hush kits" that bring noise levels on older aircraft into line with those of so-called Chapter 3 aircraft.

Chapter 3 aircraft conform to standards set by the International Civil Aviation Organisation (ICAO), the United Nations agency that sets international technical standards and recommends practices.

The standards have been accepted by aviation authorities around the world and allow the use of hush kits. Aircraft that cannot achieve them must be phased out by 2002. But the European Civil Aviation Council (ECAC), a forum of Europe's national aviation authorities, has been asked by the commission to make a recommendation on hush kit usage.

It is preparing a scheme that would prevent airlines in ECAC member states from adding newly hush-kitted aircraft to their fleets after March 31, 1999. Although this would not affect existing hush-kitted aircraft, the integrators are protesting because ECAC is also preparing a plan that would ban hush-kits altogether.

Under the scheme, hush-

kitted aircraft from airlines of non-ECAC countries would be allowed into ECAC air space only if they had a proven track record.

Mr Russell Patten, secretary general of the Association of European Express Carriers, says: "This would stop operators from enjoying the useful economic life of assets that were purchased in good faith. Hush kits cost about \$1.25m each."

"The air transport industry is by its nature global. Rules governing its operation should also be global. The integrators are sensitive to concerns over aircraft noise and do all they can to alleviate the problem. Some of their aircraft use hush kits but their fleets all meet the Chapter 3 standards."

An ECAC spokesman says the council has identified a number of legal complications that could prevent them reaching an early conclusion.

The integrators are also concerned about the German government's introduction of a "bonus list" scheme that includes aircraft that surpass Chapter 3 emission standards and allows individual airports the discretion to impose penalties on air-

craft not on the list.

Mrs Nancy Sparks, a lawyer with FedEx, says: "The Germans continually move the goalposts. Our concern is that certain aircraft will become too expensive to operate in Germany."

"We appreciate the authorities face strong political pressure. But we don't want to be a soft target because we operate at night. If they crack down too hard we'll be forced to use more road transport. That can't be good for the environment."

Road transport is the industry's other main concern. Pressure from the regulators, the general public and even their customers, is forcing companies to develop ways to operate road services that are environmentally friendly and commercially sound. To reduce exhaust emissions, for instance, a growing number of operators is examining ways of replacing diesel or petrol driven vehicles.

UPS is more advanced than most. It operates 625 vehicles powered by compressed natural gas (CNG) in 15 cities in the US. In Canada it operates 755 vans powered by propane gas; in Mexico 107. It says, however,

that it has been unable to do the same in Europe because there is no suitable network of refuelling stations and the cost of engines is prohibitive.

This summer Parcelforce, the parcel delivery service of the UK post office, will test two CNG delivery trucks out of its Milton Keynes depot. The depot uses gas for central heating and condensing equipment will be connected to the mains for refuelling the trucks overnight.

The UK subsidiary of TNT Express Worldwide, working jointly with British Gas and BP, is deciding whether to further develop the use either of liquid petroleum gas (LPG) or CNG vehicles and plans to make recommendations next month.

Mr Simon Boggis, the company's UK fleet manager, says: "The weight of the CNG gas and canisters can pose a payload problem. Our consignments are light so it's not a major worry. But the space required for the canisters could reduce carrying capacity."

Most operators are concerned about the interruptions caused by road congestion. Many say that they would like to use rail ser-

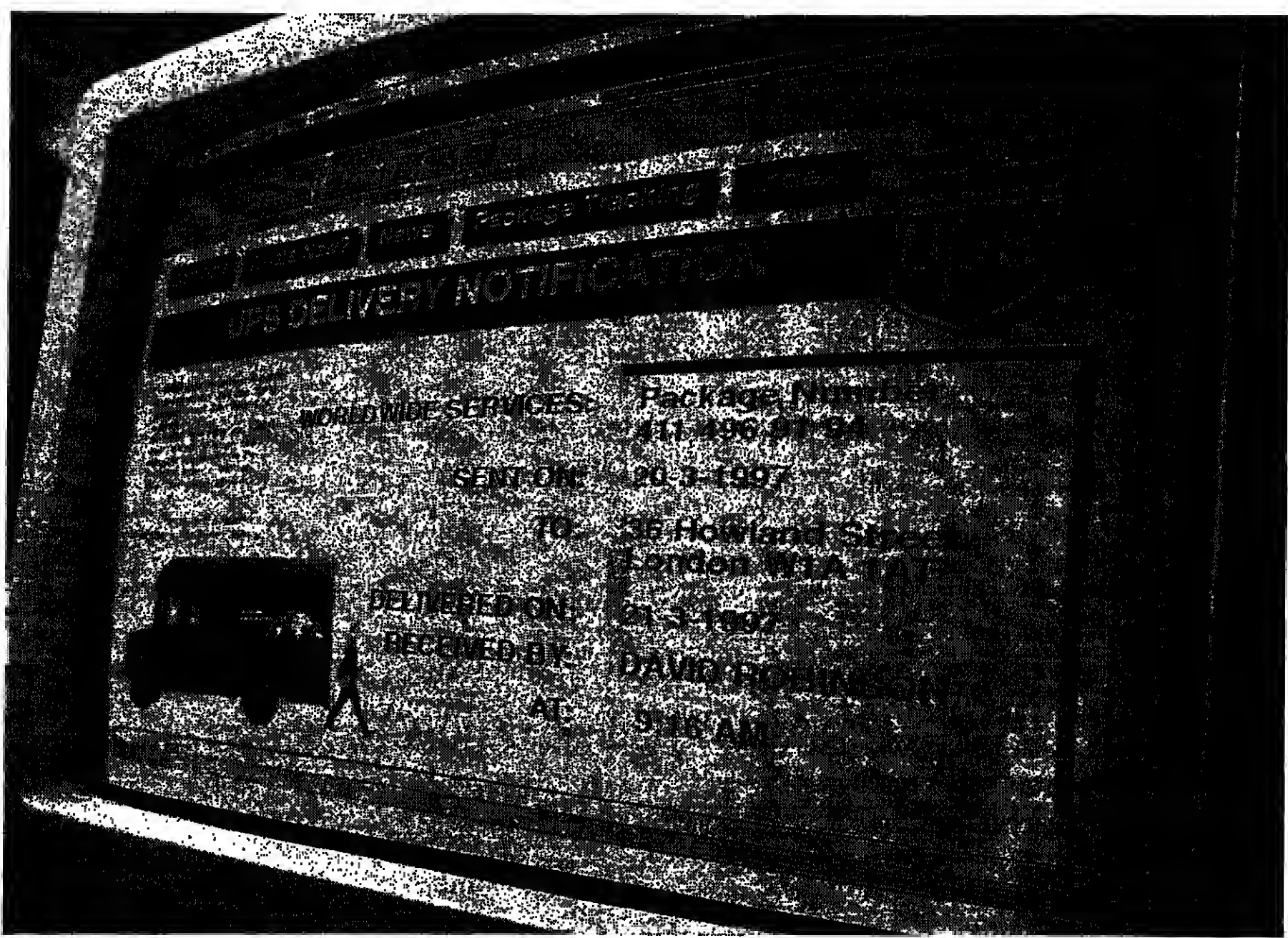
vices to counter the problem. But few are prepared to use them, saying they are not reliable or flexible enough, especially in Europe.

UPS says it is the biggest single customer of the railways in the US. It ships 29 per cent of its ground volume by rail, the equivalent of about 3,500 trailer loads a day. It spends about \$900m a year on rail, which it says is 30 per cent to 40 per cent cheaper than road.

But it adds that it uses very little rail in Europe because no rail company has a schedule that allows it to sort consignments late enough to meet next-day deliveries.

Parcelforce, however, is getting ready to test a rail option. Privatised freight operator English Welsh & Scottish Railways, hopes to run a pilot this month for its planned Glasgow to London piggyback service for road trailers.

Parcelforce has had a special trailer built. It will straddle the spine of the special Eurospine rail wagons designed for the service and is low enough to pass safely under bridges and tunnels on the West Coast Main Line.



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## COMMODITIES AND AGRICULTURE

## Global shortage of natural rubber forecast

By Gary Mead

A global shortage of natural rubber within a decade looks increasingly likely, unless the commodity's international price at least doubles, and the world's leading producers succeed in significantly increasing their current yields.

Delegates to the International Rubber Forum, meeting in Liverpool yesterday, were told by Mr. Hilde Smit, managing director of

the Economic and Social Institute of the Free University in Amsterdam, that over the next 10 years production of natural rubber could begin seriously to under-shoot demand, because of rising labour costs and accelerating industrialisation in the three leading producing nations of Thailand, Indonesia and Malaysia.

"This is not simply a problem for rubber but also for other commodities such as coffee and tea. Will it be profitable for the produ-

cing nations to continue production [of these commodities] or do we have to look at other places in the world where they can be produced? It's not just a case of sufficient land and manpower, but a willingness to work in the fields," he said.

The International Rubber Study Group, which staged the conference, forecast that by 2000, some 31 per cent of natural rubber production will derive from countries other than the three leading pro-

ducers, with Vietnam in particular increasing its output, as well as African nations.

But strong global demand, growing by an average 3.5 per cent a year from 2000, means on current trends there will be a world shortfall by 2002, with a rapidly growing deficit thereafter.

"At today's prices [about \$1 a kilo] it's not viable for many parts of the world to produce natural rubber," said Mr. Smit, who added that he was doubtful yields from

the big producers could easily be increased to cover the imminent shortfall.

One region striving to increase its production of natural rubber is Central Africa. Mr. Magri Kpoko, executive secretary of the Association of Natural Rubber in Africa, said his group was taking steps to produce a standard grade for African rubber, to be called SAR (Standard African Rubber), as a step towards trying to guarantee the type of premium quality found

in rubber from the Far East. "It is our view that rubber from Africa... is sold at a discount. We sometimes have a problem of quality and we are trying to change that by introducing better controls and standards to produce a better product," he said.

However, he added that the main African producers - Ivory Coast, Nigeria, Cameroon and Ghana - were facing serious problems in raising sufficient finance to increase production.

## Oil gains after days of steady decline

## MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Maggie Urry

Oil prices recorded modest gains yesterday after several days of steady falls. The price of the benchmark Brent Blend for July delivery was quoted at about \$17.51 a barrel in late London trading, 16 cents up on Wednesday's close of \$17.35. The market shrugged off reports that Germany intends to sell about one-fifth of its strategic petroleum reserves as part of measures to improve its finances.

Traders said a phased sell-off totalling perhaps 100,000 barrels a day should not have a marked impact on world oil markets, although a sale in the summer, when oil demand is usually weakest, could drag on European oil prices.

Copper prices reached \$2,609 a tonne, the highest for 13 months, in early trade on the London Metal Exchange yesterday but eased back later. Copper for delivery in three months closed at \$2,580, up \$19 from Wednesday's close. The premium for immediate delivery fell from Wednesday's level, however, to \$85.50 a tonne against \$102.50.

Cocoa prices eased ahead, continuing Wednesday's sharp rise, as weather fears and uncertainty about the size of the mid-crop from the Ivory Coast increased traders' concerns about shortfalls. Analysts also said chart buy signals had been triggered by the price rise.

In London, the July contract reached new highs, closing at \$1,077 a tonne, up \$52. On the New York Coffee, Sugar and Cocoa Exchange, profit-taking left prices off their highs, after a strong morning with heavy volumes which saw prices rise as much as \$60 a tonne.

## Voisey's may face delay

By Kenneth Gooding, Mining Correspondent

Mr. Michael Sopko, chairman of Inco, the world's biggest nickel group, yesterday came very close to suggesting that the US\$1.4bn Voisey's Bay nickel-cobalt project in Labrador would be delayed by at least one year.

Voisey's is expected to be the world's biggest and lowest cost producer of nickel. It will revolutionise the industry and is vital to Inco's long-term future.

First production of concentrate, an intermediate product, is scheduled for 1999, with refined nickel expected by late-2000. Mr. Sopko said Inco could meet this challenging schedule but it had no control over the Canadian federal government's negotiations with aboriginal peoples about land claims.

If these were not settled in the next two months the project would miss the 1999 "weather window" - Voisey's is so far north that construction work is possible only between the months of June and October.

Mr. Sopko pointed out that the original timetable had not envisaged there would be a Canadian federal general election in June this year - the impact of which was to "put the bureaucracy on hold for 35 days".

Also, the federal minister responsible for negotiations had been switched to a new appointment and it would take some time "to bring his replacement up to speed".

The prospect of Voisey's coming into production is also having a short-term impact on Inco. About 4,700 employees at its biggest division in Ontario went on strike on June 2. This is the first strike at Inco since 1982, and analysts suggest employees believe they have to get as much as possible now because their bargaining power will be limited after Voisey's start-up.

Employees voted 60.4 per cent against a new three-year contract, even though it was recommended by their union leaders.

Ontario is responsible for more than half of Inco's annual nickel output. This year it was scheduled to produce 240m pounds of nickel out of a group total of 430 million. It was also targeted to produce 200m pounds of copper and 4m pounds of cobalt.

Mr. Sopko said Inco could make up for a little lost production but the longer the strike continued the harder that would be. However, it was possible that output at Inco's Indonesian subsidiary could be increased from the scheduled 90m pounds.

## The LME bites the bullet of change

On June 18 last year, Mr. David King, chief executive of the London Metal Exchange, was called to a late-night meeting at the Securities and Investment Board, the exchange's regulatory body.

While the talks were going on the rest of the world was let into the secret. Just before midnight London time Sumitomo Corporation of Japan revealed that it had sacked its chief copper trader, Mr. Yasuo Hamanaka, because he had allegedly lost an estimated \$1.8m in unauthorised trading.

As the global metals world attempted to absorb this information, many suspected this might mean the end of the LME. They remembered that the 1985 tin crisis nearly bankrupted many of its members. One year on the LME has done better than survive, but it will never be the same again.

It already had changed dramatically since the tin crisis and had become the world's foremost metals market. It accounts for at least 90 per cent of copper traded globally and for all of other base metals trading.

The tin crisis, a widespread financial damage if copper went into free-fall, went far beyond the exchange. Trading houses, brokers, banks, some North American copper producers, other metal producers and hedge funds all wanted to avoid a melt-down.



So a co-ordinated international effort involving central banks and regulators in the UK, US and Japan was made to ensure order was maintained. For that the LME must be thankful.

Nevertheless, Mr. Angus Macmillan, head of research at Hilltop Metals, a subsidiary of Gencor of South Africa, says: "It Sumitomo demonstrated anything, it is the strength of the LME as a market. If you remember the decision caused by the tin crisis you can see how much stronger the LME had become in 10 years."

"But it also illustrated how rules of a market can get out of synchronisation

with a fast changing world. When you get a shock like Sumitomo you are forced to reappraise the way you run your business. The LME was forced to look again at the way it operated."

It did so by inviting the Securities and Investments Board to review its operations and the global metals markets.

The review, the SIB published its conclusions. It called for substantial changes in the operations of the LME but endorsed its trading methods and rejected calls, particularly from the rival New York Mercantile Exchange, for wide-ranging reform.

Mr. King says the LME is about half way through implementing the changes sought by the SIB. Its board is being expanded and about 10 senior people will be recruited to increase the executive to about 50.

Calls for more transparency are more difficult to deal with. "It is in no-one's interest to have such transparency that business loses the market, reducing liquidity and increasing volatility. Business that left the LME would be transacted on the unregulated market, meaning the authorities would be even less able to police it," says Mr. King.

Nevertheless, the LME is

taking action. Daily reporting of LME stocks has been introduced and from October 1 details of stocks taken off LME warrants (the paper proving ownership of physical metal) but still in authorised warehouses will be given daily.

Also from October, data on the 20,000 screens around the world giving LME statistics will include details of large positions. Mr. King says individual names will not be given but market users will have fair warning about large positions.

Procedures aimed at providing a more rigorous audit trail are being introduced. Video cameras and sound equipment are being installed on the floor of the exchange.

"There is a good, clear audit trail in back offices and we want to carry this through to the ring. This should give additional comfort to market participants," says Mr. King.

The LME is also addressing the problems in its warehouse system identified by the SIB. Contracts with warehouses will be restructured. "We will end with a more transparent and even more successful market," Mr. King insists.

The omens are good. So far this year LME turnover, which in 1996 reached about US\$3bn, is 12 per cent ahead of the same period last year.

Kenneth Gooding

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Unsmelted Metal Trading)

## ALUMINIUM, 99.7 PURITY (% per tonne)

	Close	1996-5-06.5	1996-5-06.5
Close	1908.5-0.5	1815-1.8	
Previous	1908.5-0.5	1815-1.8	
High/Low	1908.5-0.5	1815-1.8	
AM Official	1908.5-0.5	1815-1.8	
Kerb close	1908.5-0.5	1815-1.8	
Open int.	255,385		
Total daily turnover	67,090		

## ALUMINIUM ALLOY (% per tonne)

	Close	1996-5-06.5	1996-5-06.5
Close	1458-0.5	1458-0.5	
Previous	1458-0.5	1458-0.5	
High/Low	1458-0.5	1458-0.5	
AM Official	1458-0.5	1458-0.5	
Kerb close	1458-0.5	1458-0.5	
Open int.	5,419		
Total daily turnover	1,035		

## LEAD (% per tonne)

	Close	1996-5-06.5	1996-5-06.5
Close	629-30	629-30	
Previous	629-30	629-30	
High/Low	629-30	629-30	
AM Official	629-30	629-30	
Kerb close	629-30	629-30	
Open int.	34,161		
Total daily turnover	5,656		

## NICKEL (% per tonne)

	Close	1996-5-06.5	1996-5-06.5
Close	7085-105	7205-10	
Previous	7190-200	7300-10	
High/Low	7190-200	7300-10	
AM Official	7190-200	7300-10	
Kerb close	7190-200	7300-10	
Open int.	52,777		
Total daily turnover	12,218		

## ZINC (% per tonne)

	Close	1996-5-06.5	1996-5-06.5
Close	5580-90	5610-20	
Previous	5585-05	5610-20	
High/Low	5585-05	5610-20	
AM Official	5585-05	5610-20	
Kerb close	5585-05	5610-20	
Open int.	19,931		
Total daily turnover	8,742		

## ZINC, special high grade (% per tonne)

	Close	1996-5-06.5	1996-5-06.5
Close	13035-4.5	13150-0.5	
Previous	13035-4.5	13150-0.5	
High/Low	13035-4.5	13150-0.5	
AM Official	13035-4.5	13150-0.5	
Kerb close	13035-4.5	13150-0.5	
Open int.	94,705		
Total daily turnover	14,718		

## COPPER, grade A (% per tonne)

	Close	1996-5-06.5	1996-5-06.5
Close	2698-80	2678-80	
Previous	2698-80	2678-80	
High/Low	2698-80	2678-80	
AM Official	2698-80	2678-80	
Kerb close	2698-80	2678-80	
Open int.	141,004		
Total daily turnover	96,297		

## LME ALUMINIUM 2% rate 1.8227

	Close	1996-5-06.5	1996-5-06.5
Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
Open int.	141,004		
Total daily turnover	96,297		

## LME CLOSING 2% rate 1.8227

	Close	1996-5-06.5	1996-5-06.5
Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
Open int.	141,004		
Total daily turnover	96,297		

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Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
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High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
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Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
Open int.	141,004		
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Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
Open int.	141,004		
Total daily turnover	96,297		

## LME CLOSING 2% rate 1.8227

	Close	1996-5-06.5	1996-5-06.5
Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
Open int.	141,004		
Total daily turnover	96,297		

## LME CLOSING 2% rate 1.8227

	Close	1996-5-06.5	1996-5-06.5
Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
Open int.	141,004		
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## LME CLOSING 2% rate 1.8227

	Close	1996-5-06.5	1996-5-06.5
Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.25	
AM Official	342.50-0.25	342.50-0.25	
Kerb close	342.50-0.25	342.50-0.25	
Open int.	141,004		
Total daily turnover	96,297		


## LME CLOSING 2% rate 1.8227

	Close	1996-5-06.5	1996-5-06.5
Close	342.50-0.25	342.50-0.25	
Previous	342.50-0.25	342.50-0.25	
High/Low	342.50-0.25	342.50-0.2	



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THE NUMBER OF PEOPLE OVER 60  
*It's hard to imagine people outliving their retirement funds. It's*  
 WILL TRIPLE BY 2030. IT'S TIME FOR  
*harder still for institutional investors to help prevent it from*  
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*happening. The best way is with State Street. We'll help you better*  
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Fund Name	Price	Change	Yield	Fund Name	Price	Change	Yield	Fund Name	Price	Change	Yield	Fund Name	Price	Change	Yield
Asia Pacific Growth Fund	10.15	+0.05	4.5%	Europe Growth Fund	12.30	+0.10	5.2%	Global Growth Fund	15.40	+0.20	6.1%	US Growth Fund	18.50	+0.30	7.0%
Asia Pacific Income Fund	9.80	-0.02	3.8%	Europe Income Fund	11.90	+0.08	4.8%	Global Income Fund	14.20	+0.15	5.5%	US Income Fund	17.10	+0.25	6.5%
Asia Pacific Bond Fund	8.50	+0.01	3.2%	Europe Bond Fund	10.50	+0.05	4.2%	Global Bond Fund	12.80	+0.10	5.0%	US Bond Fund	15.00	+0.20	6.0%
Asia Pacific Equity Fund	11.20	+0.03	5.5%	Europe Equity Fund	13.10	+0.12	6.0%	Global Equity Fund	16.30	+0.25	6.8%	US Equity Fund	19.40	+0.35	7.5%
Asia Pacific Dividend Fund	10.50	+0.04	5.0%	Europe Dividend Fund	12.60	+0.09	5.5%	Global Dividend Fund	15.70	+0.22	6.3%	US Dividend Fund	18.60	+0.32	7.2%
Asia Pacific Small Cap Fund	11.80	+0.06	6.0%	Europe Small Cap Fund	13.50	+0.14	6.5%	Global Small Cap Fund	16.80	+0.28	7.3%	US Small Cap Fund	19.80	+0.38	8.0%
Asia Pacific Hedge Fund	12.50	+0.07	6.5%	Europe Hedge Fund	14.20	+0.16	7.0%	Global Hedge Fund	17.50	+0.30	7.8%	US Hedge Fund	20.50	+0.40	8.5%
Asia Pacific Real Estate Fund	13.00	+0.08	7.0%	Europe Real Estate Fund	14.80	+0.18	7.5%	Global Real Estate Fund	18.00	+0.32	8.3%	US Real Estate Fund	21.00	+0.42	9.0%
Asia Pacific Commodity Fund	13.50	+0.09	7.5%	Europe Commodity Fund	15.30	+0.19	8.0%	Global Commodity Fund	18.50	+0.35	8.8%	US Commodity Fund	21.50	+0.45	9.5%
Asia Pacific Alternative Fund	14.00	+0.10	8.0%	Europe Alternative Fund	15.80	+0.20	8.5%	Global Alternative Fund	19.00	+0.38	9.6%	US Alternative Fund	22.00	+0.48	10.0%
Asia Pacific Multi-Asset Fund	14.50	+0.11	8.5%	Europe Multi-Asset Fund	16.30	+0.21	9.0%	Global Multi-Asset Fund	19.50	+0.40	10.0%	US Multi-Asset Fund	22.50	+0.50	10.5%
Asia Pacific Sustainable Fund	15.00	+0.12	9.0%	Europe Sustainable Fund	16.80	+0.22	9.5%	Global Sustainable Fund	20.00	+0.42	10.5%	US Sustainable Fund	23.00	+0.52	11.0%
Asia Pacific Impact Fund	15.50	+0.13	9.5%	Europe Impact Fund	17.30	+0.23	10.0%	Global Impact Fund	20.50	+0.44	11.0%	US Impact Fund	23.50	+0.54	11.5%
Asia Pacific ESG Fund	16.00	+0.14	10.0%	Europe ESG Fund	17.80	+0.24	10.5%	Global ESG Fund	21.00	+0.46	11.5%	US ESG Fund	24.00	+0.56	12.0%
Asia Pacific Social Fund	16.50	+0.15	10.5%	Europe Social Fund	18.30	+0.25	11.0%	Global Social Fund	21.50	+0.48	12.0%	US Social Fund	24.50	+0.58	12.5%
Asia Pacific Environmental Fund	17.00	+0.16	11.0%	Europe Environmental Fund	18.80	+0.26	11.5%	Global Environmental Fund	22.00	+0.50	12.5%	US Environmental Fund	25.00	+0.60	13.0%
Asia Pacific Human Rights Fund	17.50	+0.17	11.5%	Europe Human Rights Fund	19.30	+0.27	12.0%	Global Human Rights Fund	22.50	+0.52	13.0%	US Human Rights Fund	25.50	+0.62	13.5%
Asia Pacific Gender Fund	18.00	+0.18	12.0%	Europe Gender Fund	19.80	+0.28	12.5%	Global Gender Fund	23.00	+0.54	13.5%	US Gender Fund	26.00	+0.64	14.0%
Asia Pacific LGBT Fund	18.50	+0.19	12.5%	Europe LGBT Fund	20.30	+0.29	13.0%	Global LGBT Fund	23.50	+0.56	14.0%	US LGBT Fund	26.50	+0.66	14.5%
Asia Pacific Diversity Fund	19.00	+0.20	13.0%	Europe Diversity Fund	20.80	+0.30	13.5%	Global Diversity Fund	24.00	+0.58	14.5%	US Diversity Fund	27.00	+0.68	15.0%
Asia Pacific Inclusion Fund	19.50	+0.21	13.5%	Europe Inclusion Fund	21.30	+0.31	14.0%	Global Inclusion Fund	24.50	+0.60	15.0%	US Inclusion Fund	27.50	+0.70	15.5%
Asia Pacific Equality Fund	20.00	+0.22	14.0%	Europe Equality Fund	21.80	+0.32	14.5%	Global Equality Fund	25.00	+0.62	15.5%	US Equality Fund	28.00	+0.72	16.0%
Asia Pacific Justice Fund	20.50	+0.23	14.5%	Europe Justice Fund	22.30	+0.33	15.0%	Global Justice Fund	25.50	+0.64	16.0%	US Justice Fund	28.50	+0.74	16.5%
Asia Pacific Fairness Fund	21.00	+0.24	15.0%	Europe Fairness Fund	22.80	+0.34	15.5%	Global Fairness Fund	26.00	+0.66	16.5%	US Fairness Fund	29.00	+0.76	17.0%
Asia Pacific Liberty Fund	21.50	+0.25	15.5%	Europe Liberty Fund	23.30	+0.35	16.0%	Global Liberty Fund	26.50	+0.68	17.0%	US Liberty Fund	29.50	+0.78	17.5%
Asia Pacific Democracy Fund	22.00	+0.26	16.0%	Europe Democracy Fund	23.80	+0.36	16.5%	Global Democracy Fund	27.00	+0.70	17.5%	US Democracy Fund	30.00	+0.80	18.0%
Asia Pacific Rule of Law Fund	22.50	+0.27	16.5%	Europe Rule of Law Fund	24.30	+0.37	17.0%	Global Rule of Law Fund	27.50	+0.72	18.0%	US Rule of Law Fund	30.50	+0.82	18.5%
Asia Pacific Accountability Fund	23.00	+0.28	17.0%	Europe Accountability Fund	24.80	+0.38	17.5%	Global Accountability Fund	28.00	+0.74	18.5%	US Accountability Fund	31.00	+0.84	19.0%
Asia Pacific Transparency Fund	23.50	+0.29	17.5%	Europe Transparency Fund	25.30	+0.39	18.0%	Global Transparency Fund	28.50	+0.76	19.0%	US Transparency Fund	31.50	+0.86	19.5%
Asia Pacific Integrity Fund	24.00	+0.30	18.0%	Europe Integrity Fund	25.80	+0.40	18.5%	Global Integrity Fund	29.00	+0.78	19.5%	US Integrity Fund	32.00	+0.88	20.0%
Asia Pacific Honesty Fund	24.50	+0.31	18.5%	Europe Honesty Fund	26.30	+0.41	19.0%	Global Honesty Fund	29.50	+0.80	20.0%	US Honesty Fund	32.50	+0.90	20.5%
Asia Pacific Trust Fund	25.00	+0.32	19.0%	Europe Trust Fund	26.80	+0.42	19.5%	Global Trust Fund	30.00	+0.82	20.5%	US Trust Fund	33.00	+0.92	21.0%
Asia Pacific Responsibility Fund	25.50	+0.33	19.5%	Europe Responsibility Fund	27.30	+0.43	20.0%	Global Responsibility Fund	30.50	+0.84	21.0%	US Responsibility Fund	33.50	+0.94	21.5%
Asia Pacific Accountability Fund	26.00	+0.34	20.0%	Europe Accountability Fund	27.80	+0.44	20.5%	Global Accountability Fund	31.00	+0.86	21.5%	US Accountability Fund	34.00	+0.96	22.0%
Asia Pacific Transparency Fund	26.50	+0.35	20.5%	Europe Transparency Fund	28.30	+0.45	21.0%	Global Transparency Fund	31.50	+0.88	22.0%	US Transparency Fund	34.50	+0.98	22.5%
Asia Pacific Integrity Fund	27.00	+0.36	21.0%	Europe Integrity Fund	28.80	+0.46	21.5%	Global Integrity Fund	32.00	+0.90	22.5%	US Integrity Fund	35.00	+1.00	23.0%
Asia Pacific Honesty Fund	27.50	+0.37	21.5%	Europe Honesty Fund	29.30	+0.47	22.0%	Global Honesty Fund	32.50	+0.92	23.0%	US Honesty Fund	35.50	+1.02	23.5%
Asia Pacific Trust Fund	28.00	+0.38	22.0%	Europe Trust Fund	29.80	+0.48	22.5%	Global Trust Fund	33.00	+0.94	23.5%	US Trust Fund	36.00	+1.04	24.0%
Asia Pacific Responsibility Fund	28.50	+0.39	22.5%	Europe Responsibility Fund	30.30	+0.49	23.0%	Global Responsibility Fund	33.50	+0.96	24.0%	US Responsibility Fund	36.50	+1.06	24.5%
Asia Pacific Accountability Fund	29.00	+0.40	23.0%	Europe Accountability Fund	30.80	+0.50	23.5%	Global Accountability Fund	34.00	+0.98	24.5%	US Accountability Fund	37.00	+1.08	25.0%
Asia Pacific Transparency Fund	29.50	+0.41	23.5%	Europe Transparency Fund	31.30	+0.51	24.0%	Global Transparency Fund	34.50	+1.00	25.0%	US Transparency Fund	37.50	+1.10	25.5%
Asia Pacific Integrity Fund	30.00	+0.42	24.0%	Europe Integrity Fund	31.80	+0.52	24.5%	Global Integrity Fund	35.00	+1.02	25.5%	US Integrity Fund	38.00	+1.12	26.0%
Asia Pacific Honesty Fund	30.50	+0.43	24.5%	Europe Honesty Fund	32.30	+0.53	25.0%	Global Honesty Fund	35.50	+1.04	26.0%	US Honesty Fund	38.50	+1.14	26.5%
Asia Pacific Trust Fund	31.00	+0.44	25.0%	Europe Trust Fund	32.80	+0.54	25.5%	Global Trust Fund	36.00	+1.06	26.5%	US Trust Fund	39.00	+1.16	27.0%
Asia Pacific Responsibility Fund	31.50	+0.45	25.5%	Europe Responsibility Fund	33.30	+0.55	26.0%	Global Responsibility Fund	36.50	+1.08	27.0%	US Responsibility Fund	39.50	+1.18	27.5%
Asia Pacific Accountability Fund	32.00	+0.46	26.0%	Europe Accountability Fund	33.80	+0.56	26.5%	Global Accountability Fund	37.00	+1.10	27.5%	US Accountability Fund	40.00	+1.20	28.0%
Asia Pacific Transparency Fund	32.50	+0.47	26.5%	Europe Transparency Fund	34.30	+0.57	27.0%	Global Transparency Fund	37.50	+1.12	28.0%	US Transparency Fund	40.50	+1.22	28.5%
Asia Pacific Integrity Fund	33.00	+0.48	27.0%	Europe Integrity Fund	34.80	+0.58	27.5%	Global Integrity Fund	38.00	+1.14	28.5%	US Integrity Fund	41.00	+1.24	29.0%
Asia Pacific Honesty Fund	33.50	+0.49	27.5%	Europe Honesty Fund	35.30	+0.59	28.0%	Global Honesty Fund	38.50	+1.16	29.0%	US Honesty Fund	41.50	+1.26	29.5%
Asia Pacific Trust Fund	34.00	+0.50	28.0%	Europe Trust Fund	35.80	+0.60	28.5%	Global Trust Fund	39.00	+1.18	29.5%	US Trust Fund	42.00	+1.28	30.0%
Asia Pacific Responsibility Fund	34.50	+0.51	28.5%	Europe Responsibility Fund	36.30	+0.61	29.0%	Global Responsibility Fund	39.50	+1.20	30.0%	US Responsibility Fund	42.50	+1.30	30.5%
Asia Pacific Accountability Fund	35.00	+0.52	29.0%	Europe Accountability Fund	36.80	+0.62	29.5%	Global Accountability Fund	40.00	+1.22	30.5%	US Accountability Fund	43.00	+1.32	31.0%
Asia Pacific Transparency Fund	35.50	+0.53	29.5%	Europe Transparency Fund	37.30	+0.63	30.0%	Global Transparency Fund	40.50	+1.24	31.0%	US Transparency Fund	43.50	+1.34	31.5%
Asia Pacific Integrity Fund	36.00	+0.54	30.0%	Europe Integrity Fund	37.80	+0.64	30.5%	Global Integrity Fund	41.00	+1.26	31.5%	US Integrity Fund	44.00	+1.36	32.0%
Asia Pacific Honesty Fund	36.50	+0.55	30.5%	Europe Honesty Fund	38.30	+0.65	31.0%	Global Honesty Fund	41.50	+1.28	32.0%	US Honesty Fund	44.50	+1.38	32.5%
Asia Pacific Trust Fund	37.00	+0.56	31.0%	Europe Trust Fund	38.80	+0.66	31.5%								



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### Offshore Insurances and Other Funds

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## OTHER OFFSHORE FINDS

[illegible]



**INVESTMENT TRUSTS - Cont.**[illegible]

Murray European	77 1/2	+4	11/12
Murray Inc.	48 1/2	+1	11/12

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Pinkadee Trust	117	127
Warrants	363	51
Pharmaceutical	375	127

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Co Lin 2000	2	1:02	1316
Co Lin 2000	3	1:02	1014
Co Lin 2000	4	1:02	1014
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Co Lin 2000	99	1:02	1134
Co Lin 2000	100	1:02	1134

Smaller Co.	1341	1381	15
Wentworth	85	42	
100-100	28	30	

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Ch. Pkg. #1	154	172	1
Printing & C. Inc. #4	87	91	68
Janis	149	151	123

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Spain	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988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## LONDON STOCK EXCHANGE

## UK stocks race up after bullish US news

## MARKET REPORT

By Steve Thompson,  
UK Stock Market Editor

A day which began with gentle swings in both directions ended with UK shares sharply higher across a broad front as the market responded to much weaker than expected US retail sales.

The retail sales figures were seen as reducing the chances of the US Federal Reserve increasing interest rates when its monetary policy committee meets on July 2.

That news transformed a UK equity market that had shown distinct signs of running out of

steam earlier in the day. With US bonds accelerating and posting instant gains of around 24 ticks and gilts surging ahead, there was a sudden burst of support for UK stocks.

Wall Street, which had moved to its fourth successive closing record on Wednesday, opened in strong form yesterday, bursting through the 7,600 level for the first time and posting a 70 point-plus rise an hour after London closed.

The FTSE 100 index finished at a record closing high of 4,757.4, up 32.6, having come within a whisker of equalling its previous intra-day record of 4,759.3 reached on Wednesday.

Although the leaders picked up strongly after the opening of Wall Street, they had earlier been out-paced by the market's second liners, which captured the limelight in response to a batch of impressive company results.

The best of these came from Johnson Matthey, the precious metal refining group whose shares raced up over 13 per cent, closely followed by Scafa Group, the paper and pulp company, up almost 8 per cent and FKI, the engineering group, whose shares rose almost 3 per cent.

Those outstanding gains drove the FTSE 250, which had left Footsie in its tracks, up 38.3 to 4,545.2. The FTSE SmallCap,

meanwhile, rose 2.6 to 2,263.7. While the second liners were racing away from the outset, the leaders were being stifled by a buyers' strike, caused primarily by worries about last night's speech given by the new chancellor of the exchequer, Mr Gordon Brown, at the Mansion House.

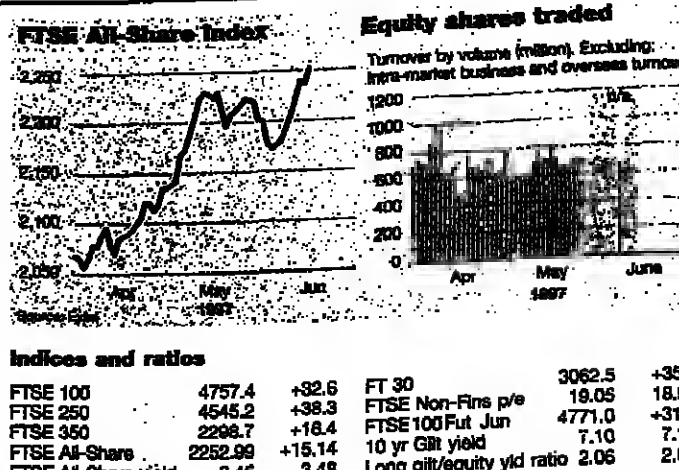
Although few in the market expected any fireworks in the speech, there were some looking for Mr Brown to pinpoint new inflation targets.

The inflation details for last month, announced yesterday morning, came in exactly as most analysts had forecast with the headline figure up 2.6 per cent over twelve months and the

underlying rate at 2.5 per cent. The figures saw gilts move higher and bonds got a second wind from the US retail sales news.

Turnover across the market reached 875.7m shares by 6pm. Tobacco shares shot to the top of the Footsie performance table, amid rumours that a once and for all, admitting liability over tobacco-related illnesses, will be announced in the US today.

Meanwhile, the City is gearing up for an extremely buoyant debut for Norwich Union shares on Monday; grey market trading shares saw them quoted at 344p-354p with bookmakers City Index end at 342p-350p with IG Index.



Best performing sectors

1 Tobacco	+3.6
2 Electronic & Elect	+2.2
3 Building M&E	+1.9
4 Chemicals	+1.8
5 Diversified inds	+1.6

Worst performing sectors

1 Life Assurance	-0.7
2 Telecommunications	-0.5
3 Banks: Retail	-0.2
4 Oil Exploration	-0.1
5 Water	-0.1

## C &amp; W up on share deals

By Joel Kibazo and  
Martin Brice

Cable & Wireless was a feature and turnover at the close of business stood at 7m with the shares 2½% ahead at 543½p. Buying by the company's directors helped boost turnover.

The four top men at the company have bought shares worth £315,000. Mr Richard Brown, chief executive, bought 10,000 shares, taking his stake in the group up to 20.000 shares, while Mr Robert Lerrill, the finance director, bought 10,000 shares, raising his holding to 25,500 shares. Mr Brian Smith, chairman, acquired 18,000 shares to take his stake to 38,000 shares. All three bought the shares at 544p each.

The exception was Mr Rod Olsen, who was the acting chief executive officer. His acquisition of 20,000 was done at 540p a share and it takes his stake in Cable & Wireless up to 65,000 shares. The move is seen as another vote of confidence in the company. Last week the shares moved ahead after C&W announced the sale of a stake in its Hong Kong Telecom subsidiary to China's state telecom company.

Telecoms group BT bucked the market trend after one broker downgraded its

recommendation on the stock. The shares surrendered 8 to 470p in trade of 13m.

US investment bank Lehman Brothers yesterday shifted its recommendation from "buy" to "outperform" and did the same on MCL. The European Union recently approved the planned merger between the two groups but US authorities have yet to give their verdict.

Mr Paul Norris of Lehman said: "The stocks have outperformed both markets and immediate upside is limited by competitive erosion at MCL."

There was strong buying interest in tobacco stocks as traders mulled over reports that a deal on litigation in the US was imminent. Imperial Tobacco and BAT Industries were Footsie's best performers on the day.

BAT reversed early losses to close up 20% to 596p in volume of 13m. A report said it had walked out of negotiations on the tobacco liabilities in the US, and was contemplating getting together with other tobacco companies to reach an agreement.

Imperial was helped by the series of meetings in the US with investors held this week, and put on 14½ to 411½p in volume of 7m. Meanwhile stock in Gallaher continued to flow back from the US to the UK after the company's demerger, and the shares rose 9½ to 291½p in volume of 12m.

There was also brisk trade in two insurance stocks said to be liable to any shifting of liabilities from the tobacco

companies to the insurers: Commercial Union fell 8 to 708½p in volume of 3.1m but Royal & Sun Alliance rose 4 to 496½p in volume of 6.5m.

Asda ran into profit-taking as the shares neared their year-high of 129p, reached in January, and were marked down 2½ to 124½p in volume of 10m, making it the biggest fall in the Footsie and the fifth most heavily traded stock in the index.

The stock has had a good run up from the 106p touched in early April, helped by some bullish broker notes. Traders expect a positive trading statement from the company when it publishes its results in a fortnight.

Johnson Matthey stock had a spectacular day and was the biggest riser in the FTSE 250. A combination of factors drove the shares up 61½ to 523p.

## FT 30 INDEX

	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	Jun 0	Jun -1	Jun -2	Jun -3	Jun -4	Jun -5	Jun -6	Jun -7	Jun -8	Jun -9	Jun -10	Jun -11	Jun -12	Jun -13	Jun -14	Jun -15	Jun -16	Jun -17	Jun -18	Jun -19	Jun -20	Jun -21	Jun -22	Jun -23	Jun -24	Jun -25	Jun -26	Jun -27	Jun -28	Jun -29	Jun -30	Jun -31	Jun -32	Jun -33	Jun -34	Jun -35	Jun -36	Jun -37	Jun -38	Jun -39	Jun -40	Jun -41	Jun -42	Jun -43	Jun -44	Jun -45	Jun -46	Jun -47	Jun -48	Jun -49	Jun -50	Jun -51	Jun -52	Jun -53	Jun -54	Jun -55	Jun -56	Jun -57	Jun -58	Jun -59	Jun -60	Jun -61	Jun -62	Jun -63	Jun -64	Jun -65	Jun -66	Jun -67	Jun -68	Jun -69	Jun -70	Jun -71	Jun -72	Jun -73	Jun -74	Jun -75	Jun -76	Jun -77	Jun -78	Jun -79	Jun -80	Jun -81	Jun -82	Jun -83	Jun -84	Jun -85	Jun -86	Jun -87	Jun -88	Jun -89	Jun -90	Jun -91	Jun -92	Jun -93	Jun -94	Jun -95	Jun -96	Jun -97	Jun -98	Jun -99	Jun -100	Jun -101	Jun -102	Jun -103	Jun -104	Jun -105	Jun -106	Jun -107	Jun -108	Jun -109	Jun -110	Jun -111	Jun -112	Jun -113	Jun 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**Highs & Lows shown on a 52 week basis**

## WORLD STOCK MARKETS

[illegible]

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## INDICES

[illegible]

## US INDICES

Dow Jones	1997			Share completion	
	Jan	Jun	Nov	High	Low
Industrials	7979.83	7939.27	7476.50	7979.83	7476.50
Health	102.50	102.64	102.83	102.64	102.50
Utilities	2576.48	2571.12	2569.50	2576.48	2569.50
Transport	221.39	218.06	217.80	221.39	217.80
DJ Ind. Div's High	7850.00	7850.00	7476.50	7850.00	7476.50
DJ High High	7979.83	7979.83	7476.50	7979.83	7476.50
Standard and Poors	865.57	865.27	862.91	865.57	862.91
Compustat	102.51	101.70	101.11	102.51	101.11
Financial	98.08	98.04	98.01	98.08	98.01
NYSE Comp.	623.59	621.79	620.17	623.59	620.17
ASX Comp.	425.87	421.11	421.57	425.87	421.11
NASDAQ Comp.	1407.85	1401.88	1412.84	1407.85	1412.84

RATIOS		TRADING ACTIVITY	
	Jun 97	May 97	May 97
Dow Jones Ind. Div. Yield	1.70	1.73	1.68
S & P Ind. Div. yield	1.82	1.69	1.87
S & P Ind. P/E ratio	24.13	23.32	26.08
NEW YORK ACTIVE STOCKS		TRADING ACTIVITY	
Wednesday	Stocks traded	Change on day	Volume (millions)
Mon	8,679,000	+334	111,111,111
Tue	7,950,000	+391	111,111,111
Wed	8,600,000	+514	111,111,111
Thurs	8,235,000	+501	111,111,111
Fri	8,887,000	+245	111,111,111
Sat	4,750,000	-836	111,111,111
Sun	4,477,000	-384	111,111,111
Pharm & John	4,118,000	+854	111,111,111
John & John	4,118,000	+341	111,111,111
Open	3,939,000	+24	111,111,111

## INDEX FUTURES

	Open/Sell Price (prior to index)	Change	High	Low	Est. vol./Open
<b>■ CAC-40</b>					
Jun	2714.0	+58.0	2747.0	2714.0	19,935
Jul	2711.5	+58.0	2735.0	2711.5	622
<b>■ DAX</b>					
Jun	3700.0	+53.5	3743.5	3692.0	21,400
Jul	3723.0	+53.5	3771.0	3719.5	5,663
June 7	<b>■ DAX-100</b> = DAX - 100 = 1000.00 DAX - 100 = 1000.00 - 1000.00 = 0.00 DAX - 100 = 1000.00 - 1000.00 = 0.00				

Jun	870.35	877.0
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[illegible]

APC	3.48	-.05	4.00
	0.85	-.01	0.89

[illegible]

25.10	-25	30.50	22
12.20	—	28	
3.55		4.60	

[illegible]





**Moët**







## Electrolux soars 14% on restructuring news

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دکتر محمد

ucturing new

RECRUITMENT

Companies have not decided how best to manage knowledge workers, says Richard Donkin

# Value and rewards of brainpower

Walter Wriston, the former chairman of Citicorp, once said that "information about money has become more valuable than money itself". He wasn't alone in appreciating the value of knowledge. Nathan Rothschild, founder of the London arm of the banking dynasty, was a master at profiting from intelligence. He famously made a stock market killing from the British victory at Waterloo. When Rothschild's pigeons flew home first with the result, his reaction was to sell and the market followed suit. Then he bought. Rothschild showed that information itself is less important than the way it is used. This lesson is digested and analysed in an insightful new book by Thomas A. Stewart, a US business writer and board member of Fortune magazine.

It is some time since Fritz Machlup, a Princeton university economist, published a work called *The Production and Distribution of Knowledge in the United States*. The theme was later developed by Peter Drucker, who pursued the idea of the "knowledge worker". But

companies have begun to grapple with the concept only recently, helped partly by the writings of Charles Handy. Handy's and Drucker's books have been seized on by modern management which has distilled complex thinking into mantras such as "our employees are our greatest assets". This has become a cliché because the statement is simply not true. The quickest way to have an impact on the bottom line is to downsize.



Even the most knowledge-based companies have discovered this. Stewart notes that 10 years ago Fortune called Thomas J. Watson Jr, the long-time leader of International Business Machines who retired in 1971, "the most successful capitalist in the world". By 1993 IBM had lost a third of its staff and all of its profits.

Today's candidate might be Bill Gates, the founder of Microsoft. But will he still be in the frame in 10 years? The information revolution has made the management of knowledge one of the great corporate challenges. Yet, so often, its management is misunderstood.

Some companies, says Stewart, believe that the answer is to recruit the brightest people. This would appear to make sense. He quotes a 1996 study by the National Centre on the Educational Quality of the Workforce, in association with the US Census Bureau, looking at the relationship between education and productivity in 3,100 US workplaces.

The research showed that, on average, a 10 per cent increase in the workforce's education level led to an 8.6 per cent gain in productivity. This could be compared with a 10 per cent rise in plant and equipment values which increased productivity by 3.4 per cent.

What the balance sheet would record as a "non-event" led to a halving of the company's share price. This answers the question often asked by Handy: "What happens when your assets walk out of the door?" Stewart writes: "The institutional shareholders thought they owned Saatchi & Saatchi. In fact, they owned less than half of it." Most of the value, he says, was human capital. Unfortunately, simply employing bright people is not a guarantee of success. Stewart shows that, while you might have the best brains, if they aren't working for you, then you must

of their employees so hazily? "A principal reason, I believe," he writes, "is that they have a hard time distinguishing between the cost of paying people and the value of investing in them."


Another example which shows the real financial value of people who might be described as knowledge workers, says Stewart, was

question why you employed them. Some 150,000 of what he calls "the brightest workers in the world" left IBM. The problem had been, as IBM later admitted, that many of them were working to their own agenda.

Is Gates wrong to seek out the brightest then? Is it possible to be too intelligent for the job? Some companies seem to believe this, as university careers offices will attest. The most brilliant people are not always easy to manage but, if the job demands a brilliant mind, then it seems logical to seek out the best.

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### Global Equities and Global Financial Markets

NWM is a premier international equities house, with an outstanding reputation for research, institutional distribution and market-making worldwide.

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In both these business areas, we need exceptionally bright and ambitious graduates - people with vision, tenacity and a sense of responsibility. Specific roles within Research, Sales and Trading in both areas demand analytical, interpersonal and statistical skills respectively.

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Handling thousands of major transactions every day, our Operations division ensures the speed, accuracy and total control of international money movements. In addition to strong business judgement and mental agility, Operations specialists need IT awareness, plus a talent for creative and consultative problem-solving.

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Technology underpins our entire operation - transforming products and processes to deliver advantage in a market where competitive edge is narrow and vulnerable. The IT teams must deliver practical, business led systems which minimise risk and maximise the value of our services.

### Credit Risk

Recognised as a European leader in its field, our Credit Risk division has a critical influence in business decision-making - monitoring and evaluating the risks to which the Bank is exposed on particular transactions. Intellectual and analytical skills are crucial, together with confident communication skills.

For an application form and information pack, please call our recruitment team now on 0500 151511 (UK freephone) or +44 1753 608302 (from overseas). Closing date for completed applications 27th June 1997.

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NATWEST MARKETS

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## MANAGER

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- a good honours degree from a leading university
- a firm understanding of the Eurodebt and/or derivatives market
- strong interpersonal and customer skills, together with the ability to work under pressure

The position involves joining a successful and motivated team in a highly successful world class institution.

The salary and benefits package will be highly competitive and based upon the experience and potential of the successful candidate.

Apply in writing to Simon Collyer-Bristow at  
Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

## SHEFFIELD-HAWORTH

Consultants in Search and Selection



# What's around the next corner?

## It's your CAREER. Where do YOU want to TAKE IT?

The road to success can be long and winding, both in business and in managing your career. At NCM we strive to create an environment where development is a necessity. Development is a natural course of business and part of the environment that must exist to realize the full potential of our people and our business.

**WHAT DOES NCM DO?** Companies that take out a credit insurance policy insure themselves against the risk of non-payment by their customers. That means, against the risk of their customers not paying, not paying to full or not paying on time. Such a situation could be the result of bankruptcy or suspension of payment. It could also arise when the customer, for one reason or another, does not fulfill its financial obligations. In addition, an exporter can also insure against political risk via NCM. A situation can arise that although the customer wants to fulfill its obligations, the government in the customer's country prevents payment, perhaps for political reasons. NCM also insures this loss.

**WHAT IS OUR VISION?** "At NCM, we are committed to a dynamic partnership with our customers, fueled by our people's outstanding experience.

### WHO DO WE CHALLENGE?

Enthusiastic people who want to work in a dynamic and challenging international environment. We require the following fundamental attributes:

- Bachelors degree or higher, e.g. economics, international management, finance
- Multi-lingual
- Emotional intelligence - building team, teamwork
- Looking for alternative solutions
- pro-active, entrepreneurial, thinking outside the box
- Intercultural awareness
- Drive for results - self starter
- Prepared to relocate

### WHO ARE WE LOOKING FOR?

**Account Managers** with a proven track record of building a well balanced and profitable portfolio.

**Economists** who have the capability to draw conclusions based on incomplete, inconsistent and varied economic information sources.

**Debt Collectors** who operate in the sensitive area between the customer and the debtor.

**Underwriters** whose second nature is to examine and set credit limits to reduce risk of bad debt.

energy and imagination. Our unique approach to sharing knowledge and information ensures we create the best credit management solutions for our customers."

**WHAT'S IN IT FOR YOU?** The success of NCM is contingent on the success of each employee - and how this success is applied to leverage the success of our customers. NCM offers you the opportunity to participate in developing the NCM credit management business worldwide.

If you recognize yourself in one of these challenges, please send your detailed C.V. to NCM, Human Resources, P.O. Box 473, 1000 AL Amsterdam. For additional information please refer to NCM's website: [www.ncmgroup.com](http://www.ncmgroup.com)

Why limit your business?

**ncm** credit management worldwide

## Corporate Finance M&A

£40,000 - £65,000 + bonus

Committed to expansion, this premier M&A team needs a handful of the highest calibre individuals to build on its success. The ideal candidates should be:

- 25-30 years old with spanning academics
- An ACA, strategy consultant or MBA from a top business school
- Able to demonstrate an exceptional Corporate Finance track record with a recognised institution
- Have an entrepreneurial outlook and an assertive personality

A move like this will offer the opportunity to work on deals spanning all major sectors, as well as giving exposure to all aspects of transaction work. If you enjoy client relationship building and increased responsibility this could most certainly be an opportunity to pursue.

## Specialists - to £80,000

### Pharmaceuticals /

### Financial Institutions

This is an opportunity to become a specialist with one of the world's most profitable and renowned investment banks.

From Associate through to Director level, opportunities exist for exceptional individuals to work on international assignments in these exciting sectors.

Candidates will possess:

- At least 2 years experience in Corporate Finance or Management Consultancy (generalist or specialist)
- The ACA qualification with relevant sector audit clients or Corporate Finance experience
- Business Development or Corporate Finance experience within industry.

Please contact Susan Norrey or Amanda Lott (Corporate Finance Desk) at Badenoch & Clark, 16-18 New Bridge Street, London EC4V 6AU. Tel: 0171 588 0073, Fax: 0171 353 3908.

**BADENOCH & CLARK**  
recruitment specialists

## CORPORATE FINANCE OPPORTUNITY

London

Our client, a London-based firm is seeking to recruit an associate in Corporate Finance to work in its Telecoms team. You will:

- utilise in-depth knowledge of Telecoms industry to structure and execute transactions
- develop and analyse complex financial models
- develop and maintain client relationships
- liaise with other advisors and product specialists

The ideal candidate will have:

- minimum of 4 years experience gained in a blue chip investment bank
- work experience and relationship skills gained in North America and Europe
- in-depth knowledge of European Telecoms sector
- financial modelling skills
- strong academics (MBA preferred)
- accountancy qualification essential
- proven marketing and relationship skills.

To apply, please write enclosing a full CV to: The Confidential Reply Handling Service, Ref 741, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client, but clearly indicate any organisation to which your details should not be sent.

**aia**

HR MARKETING & COMMUNICATIONS

## FOREX TRADER

required for a Dubai based organisation trading on own account. Must have 3 years experience in forex trading. Generous package on offer including accommodation, car, profit sharing and relocation to Dubai.

Minimum contract will be for 3 years. Please apply to Box A5458, Financial Times, One Southwark Bridge, London SE1 9HL

## Specialists in SFA or Bank of England Regulation

Are you ready for an international consulting role?

PW in London

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At Price Waterhouse, our clients include many of the world's leading banks and securities firms. Operating within a complex regulatory environment, our clients are faced with the constant task of adapting so as to minimise the impact of regulation on their operations, whilst better positioning themselves within the EU's Single Market.

Our well established Pan-European Regulatory Practice provides clients with both transactional and strategic advice on a range of national and EU regulatory issues such as capital adequacy, Single Passport rights and general compliance matters. In response to our clients' increasing needs for these services, we are seeking to expand our capability both in London and on the Continent by attracting a number of experienced regulatory experts to join our core team of specialists and work with our clients across Europe. The role will be to help clients resolve complex regulatory problems and help them anticipate and react positively to developments in both regulatory and business practice in the future. This will require not only a sound knowledge of regulatory issues but also the vision and commercial insight to understand our clients'

businesses and the international markets within which they operate.

To add value to this team, you will be an experienced regulatory specialist with extensive up-to-date exposure to either SFA or Bank of England requirements. This knowledge could have been gained whilst working within a bank, securities firm, a regulator or as a consultant but, whichever of these is the case you will also be a skilled communicator and analyst. As the scope of work will be Pan-European, a readiness to travel on a regular basis within the EU is essential. Additional languages and/or overseas experience would also be an asset.

In return you can expect a range of benefits, including a flexible remuneration scheme which allows you to influence your total benefits package.

Interested candidates should apply, quoting reference FT/CM/14 to: Charles Macdonald, Senior Recruitment Manager, Price Waterhouse, 32 London Bridge Street, London SE1 9SY.

**Price Waterhouse**



Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## Unit Trust Administration Management

CITY BASED

Our client is a major force in the provision of unit trust administration services. The business has been built around the provision of high quality client service underpinned by excellent systems and a talented and committed workforce. They are now planning to recruit additional administrative specialists to play key roles in their business expansion plans.

**SENIOR  
INVESTMENT ACCOUNTING  
MANAGER**  
To £60,000 package

An opportunity exists at a senior level for a pricing and accounting specialist. The individual will take responsibility for the fund valuation process, including asset pricing, record maintenance and process management, in a rigorously controlled environment.

Reporting to the Head of Investment Accounting, you will be responsible for the management of two pricing teams. You will play a proactive role in the development of client relationships, providing technical input where necessary and ensuring the business meets or exceeds service level agreements. Ref FT1417

In all cases the requirement is for people with excellent interpersonal skills who are at ease, and who can communicate well, with senior management in client companies. You will be expected to demonstrate well-developed leadership skills and have experience in an environment where absolute quality standards prevail. In return, you can look forward to an attractive remuneration package including salary, car, bonus and the usual banking benefits.

To apply, please write with full CV, quoting the appropriate reference and indicating companies to which your application should not be forwarded, to: Tony Ward, Gregory Wood Ward, 11 John Princes Street, London W1M 9HB. Fax 0171 499 2387.

**Gregory Wood Ward**  
RECRUITMENT ADVERTISING

**SENIOR CLIENT SERVICE MANAGER**  
To £60,000 package  
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To £45,000 package

The provision of high quality service is at the heart of the operation. These roles are key to achieving client and investor satisfaction. You will manage all or a significant part of the activities of the unit dealing & registration functions for single or multiple clients. The level at which you join will depend on your experience.

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John Macdonald

Salon



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to £90,000 plus benefits

London: West End

Equity Capital Group (ECG) is a recent addition to GE Capital's expanding portfolio of European businesses and has offices in London and Milan. Globally, ECG is already established in New York, Mexico City, Hong Kong, Buenos Aires, Jakarta and Melbourne.

We are in business to deliver exceptional financial returns from private equity initiatives, typically within investment cycles of three to five years.

As part of General Electric, we are supported by one of the most profitable businesses in the world, a diversified technology, manufacturing and services company with a global turnover of some \$79 billion. Our network in Europe generates an almost continuous lead flow.

Joining an exceptionally able team you will work at the forefront of the transaction process with

the originators, and will be responsible for the analysis, structuring, review of the financial modelling, negotiation, documentation, closing, portfolio management and ultimately exit.

You will have significant risk management or transaction experience of complex equity, equity-related or project financings with financial services businesses.

A post-graduate degree in finance or a related discipline and a second European language is desirable as there will be frequent European travel. Being highly energetic and having boundless self-confidence, you must be keen to embrace change and "do deals". You should have excellent communication skills and be able to justify the decisions you take.

Please write today to our advertising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref 627752. CJA, 2 London Wall Buildings, London Wall, London EC2M 4PP. Tel: 0171 588 3588

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To support continuing growth in one of the top ten UK buy out firms, an exceptional person is sought.

- **THE TASK** is to become actively involved in all aspects of the investment process from initial identification and evaluation of investment opportunities to negotiation, deal closing, performance monitoring and exit.
- **THE NEED** is for an outstanding individual with commercial acumen. A first class academic record, accountancy qualification and/or MBA will be important. However, demonstrable ability, communication skills, personality, numeracy, computer skills, initiative, opportunism and a sense of priority and urgency are also relevant. A background in strategic consultancy, structured finance or making acquisitions within a corporate could be advantageous. Languages helpful.
- **COMPENSATION** will depend on ability and experience. Base London. Age 25-28.

Write in confidence enclosing a Curriculum Vitae and remuneration package, quoting reference T8313, to:

TK

SELECTION

8 Hallam Street, London W1N 6DJ. Fax: 0171 631 5317  
A DIVISION OF TYZACK & PARTNERS

## Mergers & Acquisitions Premier US Financial Institution

### Analysts and Associates

Our Client is a pre-eminent US bank with a truly global network. It is a clear-cut leader in many of the markets in which it operates and can boast primary relationships with a significant number of multinationals. As part of its commitment to global Investment Banking, it is significantly expanding its M&A activities out of London, focusing on Europe, Africa and the Middle East. Recent high-profile appointments within the department underline this commitment.

Immediate opportunities exist for up to four Analysts. Candidates must have 1-3 years' experience, gained at a major Investment or Merchant Bank, with strong valuation skills and good execution experience. Additional European languages will be a definite advantage. Due to the expansion of the department, rapid promotion to Associate-level is a distinct possibility. Outstanding candidates who are already Associates are also encouraged to apply, and if successful will be working on a strong deal-flow as well as the prospect of transaction origination if desired.

This represents a superb opportunity to work in an expanding department with Investment Bankers of the highest calibre. Successful candidates will be able to leverage-off an outstanding client base, with a level of autonomy which most Investment Banking employees can only dream of. Interested applicants should contact Christopher Squire at the address below.

JONATHAN WREN

Jonathan Wren Search & Selection Limited  
34 London Wall, London EC2M 5RU  
Telephone 0171 588 0828 Facsimile 0171 588 0829

SEARCH &amp; SELECTION

## PROJECT FINANCE PROFESSIONAL

### An exceptional City based appointment

T

he Industrial Bank of Japan, Limited is one of the world's leading financial institutions with a successful and expanding London Branch based in prestigious City offices.

The Infrastructure Group of our Project Finance Department deals with clients throughout Europe and The Middle East, funding projects such as roads, railways, airports, docks, bridges, tunnels and water services, which could be in any part of the world.

As a result of the outstanding success of the department we are now seeking a Project Finance Professional to join a small, dedicated team.

Three to five year's post graduate experience, gained in a similar professional environment is essential. You must also be sufficiently proactive to originate potential transactions.

IBJ

This appointment provides considerable opportunity for development in all aspects of Project Finance. Marketing and Origination together with Transaction Execution will be key aspects of the position. In addition management of the Group's existing loan portfolio will be amongst the responsibilities. As such, strong credit analysis and modelling skills are essential.

This position offers a highly attractive salary, complemented by a comprehensive range of banking benefits and excellent career development potential in one of the world's most respected banks.

Please write enclosing your full CV to: A. L. Mendleson, Senior Manager - Personnel, The Industrial Bank of Japan, Limited, Bracken House, One Friday Street, London EC4M 9JA.

## FOREX TRADER

## EMERGING MARKETS SEARCH & SELECTION

### HEAD OF TREASURY - MOSCOW

Our client is one of the top-tier Russian banks, active across the full spectrum of banking products and with a clear strategy for international development. The bank has grown into one of Russia's most important Ruble clearing banks and GEO dealers and is well positioned for future growth. It is looking to recruit a Head of Treasury who will capitalise on the bank's existing strong presence in the domestic market and develop the treasury operation as an international business.

The ideal candidate will possess the following qualities:

- At least 5 years' experience of a range of financial products including foreign exchange, money markets and fixed income
- A proven ability to build a business
- Entrepreneurial drive
- Experience of managing a team
- An international perspective
- Knowledge of the emerging markets, specifically Russia, would be an advantage
- Good Russian language skills

The bank is ideally placed to serve the rapidly growing secondary capital market and offers a challenging and rewarding role in a fast-growing dynamic environment with an opportunity to effect real change.

In the first instance, please send your CV in complete confidence to: Ms Tara Oksman-Ison at Emerging Markets Search & Selection, 12 Masons Avenue, London, EC2V 5BT. Telephone: 44-171 600 4744. Fax: 44-171 600 4717. E-Mail: tara@emss.co.uk

## TRADER

Salomon Brothers, one of the world's leading financial institutions, is seeking a highly motivated individual to join its expanding Global Equity team.

You will be involved in all aspects of Swiss equity trading and must have a successful track record which includes 2-3 years' experience of trading Swiss equity products.

You must be strongly computer literate, fluent in both German and English and be either a Swiss



national or possess a valid Swiss work permit. An EBS licence would be an advantage. Initial interviews can be arranged in either Zurich or London.

If you have the necessary skills, experience and qualifications for this position, please write, enclosing a full CV and covering letter, to Isabel Dorey, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

Salomon Brothers

## Director - Natural Resources Group Global Investment Bank

City

Excellent Banking Package

Our client is one of the largest and most successful global investment banks, with a sizeable and expanding European presence. Its Natural Resources Group has a particularly high profile within the bank, providing a comprehensive array of investment banking services including equity and debt underwriting, strategic advisory, project finance, research, trading and commodities/derivatives.

An experienced investment banking professional is now sought to contribute to the continued development of this high profile team. Key responsibilities will be as follows:

- manage and drive the execution of a broad range of transactions;
- supervise more junior professionals, providing control and support within the team as a whole;
- provide industry and product expertise and ensure delivery of an outstanding quality of service.

GKRS

SEARCH &amp; SELECTION

86 JERMYN STREET, LONDON SW1Y 6JQ. TEL: 0171 468 3800  
A GKR Group Company

Candidates will be aged in their thirties or above and will be graduates, possibly with a financial or MBA qualification. They will have gained significant experience in transaction based corporate finance and/or advisory work in a first class financial institution, consultancy or major corporation, with previous exposure to the natural resources sector. Previous international experience and fluency in European languages is desirable but not essential. Candidates will be dynamic and commercially aware with first class management skills and the ability to win the respect and confidence of clients and colleagues alike.

The role is based in London but candidates will be required to travel on a global basis. The remuneration package is structured to attract the most qualified individuals and includes a full range of executive benefits.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 721J on both letter and envelope, and including details of current remuneration.

Substantial package • Paris-based

## BOND MARKETS SPECIALIST

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If you have experience of the European bond markets, then this is an excellent opportunity to be the driving force in

further developing our product range across Europe. Based in Paris, you will manage projects including finance, marketing and database/software.

Able to analyse financial markets, you will have excellent conceptual ability coupled with strong communication skills. Flexible enough to travel throughout Europe, you will have a perfect command of the German language.

Please apply by sending your CV together with your salary expectations to Thierry Krief, Fininfo, 91/93 av. François Arago, 92017 Nanterre cedex, France, or alternatively fax it to him on +33 1 47 29 47 80 or e-mail: tkrief@fininfo.fr.

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Bankers Trust's capital strength, intermediary skills, and international reputation for product innovation, contribute to making us one of the world's leading investment banks. In risk products and risk management, in high-yield finance, in the application of risk products to the refinancing and restructuring of companies and their balance sheets, in providing high quality mergers & acquisitions advisory services, time and again we distinguish ourselves in our ability to deliver innovative solutions tailored to client needs.

## Corporate Finance Professionals

### Outstanding Career Opportunities

Excellent Compensation Package

We need high calibre, junior level professionals, who can match the enthusiasm and talent of the existing team, to maintain our momentum in these key business areas across our European operations.

We offer a highly competitive salary and are particularly keen to attract individuals with up to five years' experience, who may be seeking an early or first career move.

For you to reach your full potential within our organisation you will have:

- an outstanding academic record at a premier business school or university
- excellent numeracy and, for some positions, an accounting background
- ideally a second European language, although fluency in English is a prerequisite

Bankers Trust has a wholly international culture and we welcome applicants from any background to work in these European based businesses, although all candidates must be eligible to work anywhere within the EU without a work permit.

All positions may involve significant travel as we encourage our junior talent to gain maximum client exposure.

To take advantage of these exceptional opportunities and meet with our most senior professionals, make contact with me here in London over the next week.

Liz Knott, Human Resources, Bankers Trust International plc, 1 Appold Street, Broadgate, London EC2A 2HE. Fax no (44 171) 982 1147. Tel (44 171) 982 2628. email: elizabeth.knott@bankerstust.com Postal applications should be clearly marked LK/IB/CF2.

**Bankers Trust Company**



### International Cash Management Consultants

The Bank Relationship Consultancy has grown quickly over the last few years and is now one of Europe's leading independent banking and treasury consultancies. The Consultancy is particularly noted for its work in the area of international cash management and is looking to engage additional consultants in this field.

Applications for these positions are welcome from candidates with a strong background in international corporate cash management, who may have gained experience working in a corporate treasury department, in a consultancy, or acting as a consultant to corporates in a bank's cash management department.

Remuneration will be based on experience.

Please address your letter and a detailed CV, including details of present salary, to:

The Managing Director  
The Bank Relationship Consultancy  
17 St. Helen's Place, Bishopsgate, London EC3A 6DE

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### Colorectal Cancer - Could you make a difference?

Colorectal Cancer is a national charity based in London that is devoted to the care of patients whose main objectives are the provision of information and the funding of patient-centred research into treatments for colorectal cancer. The Charity is seeking successful people, able to join its Board of Trustees, who can help it develop to meet the objectives as set out in its Business Plan.

If you have knowledge or experience of colorectal cancer and want to do something about the number of people dying from the disease, please contact Anne Kealey-Clarke, Chief Executive.

Colorectal Cancer  
3rd Floor, Dept of Surgery, Chelsea & Westminster Hospital, Fulham Road, London SW10 9NH or tel: 0181 746 8809 (ansaphone)

### INSTITUTIONAL FIXED INCOME SALES - New York, London, Dublin

Fixed Income/Relative Value broker desk seeks qualified individuals to join sales effort focusing on global Sovereign Debt & Derivative Securities such as exchange listed futures & options, cash governments & OTC options, swaps, structured products, etc. This group is part of a major international AA rated bank with locations in Manhattan, Chicago, London, Dublin, & Paris. Relocation possible. Sales people with a book of institutional clients please respond. Please fax resume to (212) 527-8228 (USA)

## Senior Marketing Specialist

Outstanding Opportunity in New Business Origination Central/Eastern Europe  
London  
Attractive Package

Our client is a leading international bank with an enviable reputation for providing a complete range of banking services to major corporates, sovereign and quasi-sovereign entities on a global basis. The bank is a market leader in a variety of specialised banking products including syndications, project finance, structured trade finance, aerospace finance and capital markets. It has an extensive global network including branches and representative offices throughout Europe. Due to the bank's commitment to the continued development of its European business, it now seeks to appoint a senior business developer in a new role to originate business in the Central/Eastern European region, with a particular emphasis on Russia.

#### The Role

- To generate new business for the bank among sovereigns, quasi-sovereigns, core industries and financial institutions in Russia and surrounding Central/Eastern European countries, based on knowledge of clients requirements and local market conditions.
- Cross-sell the complete range of products in conjunction with the bank's European network and product specialists in London, producing fee and margin income to meet the bank's business targets.
- Obtain mandates from clients for syndicated loans and other specialist banking products.

#### The Candidate

- Proven track record in marketing, structuring and executing transactions within a progressive financial institution for the Central/Eastern European region.
- Ability to demonstrate a detailed knowledge of Central/Eastern Europe, particularly Russia, based on sound, practical experience.
- Possess the credibility, adaptability and maturity to market and liaise with senior executives throughout the region.
- Confident, highly motivated, resilient business developer, with excellent communication and negotiating skills.
- A fluency in Russian would be ideal but not a prerequisite.

This post offers an outstanding opportunity to develop your career with a dynamic institution, committed to business in Central/Eastern Europe. A competitive salary and package will be awarded to the successful applicant, reflecting the experience and capabilities required for this challenging role.

Interested candidates should contact Simon Lewis or Paul Wilson on 0171 269 2316 or write to them enclosing a full curriculum vitae at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 9649. Quote reference 354057.



**Michael Page City**

International Recruitment Consultants  
London Paris Frankfurt Madrid Hong Kong Singapore Sydney

## Search & Selection Consultants

### Excellent Package Plus Bonus

Jonathan Wren Search & Selection Limited is a successful and long established specialist financial services search & selection firm with a strong and loyal client base in the City of London and beyond.

We have an outstanding track record based on providing our clients and candidates with a professional service that enables the development of long term relationships and repeat business.

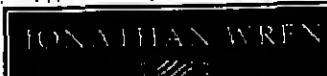
Due to the growing demand for our services we are seeking to recruit additional Consultants to cover various sectors including:

<b>Risk Management</b>	<b>Accountancy</b>
<b>Legal</b>	<b>Asset Based Finance</b>
<b>Emerging Markets</b>	<b>Equities</b>

Successful candidates will be degree educated, strongly self-motivated, excellent communicators with the capacity and skill to manage retained assignments from presentation to conclusion.

Ideally we are looking for experienced Consultants with a minimum of three years' experience in the above sectors gained either in search & selection or within one or more of the above financial areas.

For further information please call, write or send a fax to Ron Bradley, Managing Director at the address below.



Jonathan Wren Search & Selection Limited  
34 London Wall, London EC2M 5RU  
Telephone 0171 588 0828 Facsimile 0171 588 0830

SEARCH & SELECTION

### Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Courtney Anderson  
0171 873 4153

or

Toby Finden-Crofts  
0171 873 4027

or

Karl Loynton  
0171 873 3694

Based in Frankfurt with fast growing branches in New York and Tokyo, DG BANK is the central financial institution of the German cooperative sector and one of the leading forces in D-Mark fixed income products, both in primary and secondary business. Our growing share in IPO's, especially of small & medium sized German companies has its roots in the outstanding local expertise and client relationships of our member banks supported by our Investment Banking professionals.

Starting from a solid and well established base in equity trading & sales for its own significant fund management divisions and huge retail network, DG BANK is now offering its bottom-up expertise in German equities with special focus on the Midcap & New Market segment also to institutional investors in the U.S., the Far East and Continental Europe. Within our strategy of controlled expansion in equity research, sales and trading, outstanding career opportunities have arisen for talented and entrepreneurial professionals with a strong financial background. Candidates should have superior presentation skills, in-depth knowledge of German equities and be fluent in English, German and preferably a third European language.

### GERMAN EQUITY SALES

The position is based in Frankfurt and involves working in small teams with very fast reporting structure and a great deal of autonomy. Frequent travelling is required. Salary and bonus scheme a highly competitive.

To apply, please write enclosing a detailed curriculum vitae, indicating your current remuneration package to: DG BANK, Arnette Doh, Personnel Department, Am Platz der Republik, 60325 Frankfurt/Germany. Should you have any further questions, please contact Mr. Joerg Schreier, Head of Equity Sales, Phone (int.) 697447-7103.

**DG BANK**



BUILDING AND PROPERTY GROUP LIMITED

### BUSINESS ANALYSTS/NEGOTIATORS

#### Excellent Packages

Building and Property Group, one of the country's leading and fastest growing Facilities Management companies, is developing an enviable reputation for innovative solutions and service delivery within its specialist market sectors.

In order to increase our growth rate we are looking to appoint a number of experienced Business Analysts/Negotiators who are familiar with the financial and contractual issues surrounding partnerships between the Private and Public sectors, with particular emphasis on Private Finance Initiative projects.

Candidates should be educated to degree level, have excellent financial modelling skills, with the ability to lead detailed commercial negotiations. Experience of project management would also be advantageous.

If you believe you have the ability, drive and determination to make a significant contribution to our continued development please forward a copy of your CV, quoting current benefits package to Alan Miller, Head of Human Resources, BUILDING & PROPERTY GROUP, Building & Property House, 19-23 Blackfriars Road, London SE1 8NY.

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No telephone calls or agencies please

### Financial Analyst

THE CLIENT: One of the most successful multi-discipline consultants in Europe operating world-wide.

THE ROLE: To work within the Water and Utilities group advising on financial matters ranging from individual project funding to the analysis of long term investment plans. Your activities will include the use and development of financial models the review of business plans and the analysis of annual accounts.

THE PERSON: Qualified in an accounting, financial or economics discipline. Your analytical skills must be excellent. Previous experience within a utility company would be an advantage.

THE PACKAGE: Our client offers an attractive package including bonus and pension schemes. Please forward a detailed CV ref no. 1801 to Paul Hildes at: ATS Selection, 118 London Road, Kingston, Surrey KT2 6LJ. Tel: 0181 541 1211 Fax: 0181 541 4049

MAJOR CONSULTANT

SURREY

**ATS**  
SELECTION

### FIXED INCOME FUND MANAGER LONDON

A well established London based Fund Manager specialising in global fixed income, equity and currency investment requires an additional professional to join its highly successful fixed income team.

The ideal candidate will be able to demonstrate a strong academic background and at least four years experience as a fund manager, economist or market strategist. The individual will be self-motivated and comfortable working within a small team in an open, flexible environment.

This is a senior appointment reporting to the Director of Fixed Income and offers the chance to make a significant contribution to the formation of investment policy.

Salary will be commensurate with a position of this level and will carry a competitive benefits package and bonus.

Interested candidates should apply in strictest confidence enclosing an up-to-date Curriculum Vitae to:

Box A5454, Financial Times,  
One Southwark Bridge, London SE1 9HL



## CHALLENGING OPPORTUNITIES IN TREASURY/SECURITIES/CAPITAL MARKETS

## MAJOR EXPANDING DUTCH BANK

## THE NETHERLANDS

A well renowned Dutch bank, part of a leading European banking group, offering a full range of investment banking, treasury, asset management, commercial and consumer banking products.

Strategic changes and ambitious plans for growth and expansion have created openings for a number of high calibre international banking professionals.

## HEAD, FUND STRUCTURING

He/she will head a small team and be responsible for creating and developing investment products for distribution to the Bank's retail network. Creativity and an innovative approach will be key in developing managed funds and capital guaranteed structures. He/she will liaise with the Bank's international European centres and market products internally.

Age late 20's to mid 30's, with at least three years' experience in a major bank in a key financial centre. Experience will include structuring and marketing of equity and/or derivative products, and broad-based fixed income product knowledge. Strong interpersonal skills and a track record in creating innovative solutions are essential. (Ref 1421)

## HEAD, CAPITAL STRUCTURING

The principal role of the Head of Capital Structuring is to structure equity and equity-related deals on behalf of the Bank's clients, and to bring them to the public market or assist in private institutional placements.

He/she will manage a small team and will be expected to originate deals independently, and also to decide on and be responsible for co-lead management of public issues.

Likely to be in his/her mid 30's, with at least five years' experience in equity capital markets in a major bank, with an in-depth knowledge of primary markets, and equity and tax structures in the Dutch market. Experience will include a strong track record in deal origination. (Ref 1422)

## CHIEF DEALER, TREASURY

Reporting to the Treasurer, he/she will head a dealing team of approximately twelve professionals covering spot and forward foreign exchange, and European money markets. He/she will be expected to develop the team, to bring a more active approach to trading and to increase revenues.

A strong record of success in foreign exchange and money markets, most likely within the Treasury of a major international bank in a key European financial centre. (Ref 1420)

## COMPETITIVE PACKAGES

Candidates should have excellent communication skills and be able to make an impact with senior management and other members of staff. High calibre, dynamic, focused and strong self-motivators.

An ability to demonstrate genuine achievements and a track record in their career to date will be essential. Results oriented, energetic, team players with an international outlook. Language skills, especially Dutch, would be particularly advantageous. Superb career opportunities for top performers to grow and progress rapidly within the Institution.

Please apply in writing quoting the appropriate reference with full career and salary details to:

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Tel: 0171 590 2043  
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## ACCOUNTANCY APPOINTMENTS

## Group Finance Director

To US\$110,000  
+ Car + Expat Bens

Jeddah  
Saudi Arabia

Our client is one of the most prestigious and fastest growing international trading and services groups in the Middle East. Its experienced management team is continuing to invest in the future and has a clear strategy of developing its core businesses organically, by acquisition and through the establishment of joint ventures with internationally recognised brands. The company culture is both open and entrepreneurial.

There now exists a requirement to augment the Senior Management team with the appointment of a Group Finance Director. Working with the Board of Directors the appointee will assume responsibility for the financial management of a multi-site operation. Specifically, this will encompass:

- Establishing group wide financial and accounting policies, procedures, controls and reporting structure
- Evaluation of business performance
- Review of capital expenditure proposals
- Optimise the use of the existing IT structure for creating accurate and timely financial data across the Group

- Extensive strategic and financial planning
- Investigation of business development/growth opportunities
- Assist the various Managing Directors in improving their respective financial performances

This is regarded as a highly commercial role where the emphasis is firmly placed on aiding the development of the group in a proactive and value added manner.

The opportunity will appeal to a commercially orientated qualified accountant (aged 33-45) with a strong record of achievement to date, ideally gained within an international company. The ability to liaise at the most senior levels of management is a pre-requisite, as is the desire to develop a career in a challenging and changing environment.

The rewards include a tax free basic salary, performance related bonus, company car, housing and schooling allowances, the use of extensive leisure facilities and other expatriate benefits.

Interested applicants should write, in the strictest confidence, to Robert Walker or Brian Hamill at Walker Hamill Executive Selection, forwarding a brief CV quoting reference: RW3289.

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London SW1X 6EE

Tel: 0171 839 4444  
Fax: 0171 839 5557

## VP Finance - Europe

Philippe Robin Todd & Co. (PRTM) is internationally recognised as the leader in management consulting to operations management in technology-based companies.

For more information on PRTM please see our World Wide Web site: <http://www.prtm.com>

## We seek

An entrepreneurial finance professional who is a self-motivated thought leader, with career aspirations to take a wider business management role.

## You offer

'Big 6' training following a relevant degree, and a strong combination of international treasury, tax, and corporate finance experience. Some fluency in French / German is a plus, and you are likely to be in your mid-30s.

plus, and you are likely to be in your mid-30s.

## We offer

A senior role in a strong and motivated team, with full accountability for the commercial management of a leading professional services firm. We offer a significant package for exceptional people.

Write: Gordon Stewart, Director, PRTM, 25 The Quadrant, Abingdon, Oxon OX14 3YS

PRTM

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For further information please call:  
Toby Finden-Crofts on +44 0171 873 4027

## Chief Financial Officer

c £65,000 & City Benefits  
inc Profit Share, Executive Options & Car

Our client is a prestigious listed financial services group with a widespread portfolio of City based activities and a sustained record of profitable growth.

They now wish to appoint a CFO for the Group who will be responsible to the Group Chief Executive for all aspects of financial management and financial control; statutory and regulatory reporting; taxation and treasury; IT systems, and budgets. In addition the successful candidate will be expected to make an important contribution to the strategic development and management of the business.

Candidates should be professionally qualified graduates, with a first class

professional record of City based work who are close to partner level or have moved to a senior financial or treasury management role in commerce. The ability to communicate and participate effectively in a dynamic management team is essential.

Please write, in the first instance, with a full CV quoting reference JV/CFO to:

J.D.Vine, Vine Potterton Limited, Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 2AB.

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RECRUITMENT ADVERTISING

Chief Financial Officer  
Netherlands

Major International Industrial Manufacturing Group

nmc&kay  
international

Applications are to be sent in English, including a current CV and details of remuneration, to Fiona Crawford at nmc&kay international, 7 Old Park Lane, London W1Y 3LJ.

A leading multinational manufacturing group seeks to appoint a dynamic Chief Financial Officer to the head office of one of its major product groups based in the Netherlands. This highly acquisitive company, with production units in Europe, the Americas, and the Far East, has a turnover of \$250million.

As part of a new team, the Chief Financial Officer will be responsible for setting up from scratch all aspects of financial management. Working in a fast moving environment, candidates need to be able to work to very tight timetables in providing management information to the Parent Company and to work closely with the Group Managing Director. The candidate will be fully involved in the company's M&A activities.

It is preferred that candidates have English as their mother tongue. Specialist skills are not required, although an understanding of key regulatory and tax issues in both countries will be useful. Most important will be the ability to work under time pressure, experience that will probably have been gained whilst working in a multinational manufacturing company. The role requires substantial travel.

A remuneration package of 160,000 dfl plus bonus, with normal executive benefits and relocation package is envisaged.

"Russian Investors" is a Russian-registered investment and brokerage firm, an investment banking arm of one of the largest Russian industrial and financial groups "ROSPROM/MENATEP". As part of international services development policy, we are creating our research team to provide western and local clients with in-depth analysis of Russian and Central European industry. The following positions with degree-educated staff, based in Moscow are open:

## 1) SENIOR ECONOMIST/STRATEGIST

Russia/Central Europe

## The Role

- To provide macroeconomic coverage of Russia, CIS and Baltics
- Working with analysts in oil and gas, machinery, food, chemical and other sectors to develop a strategic overview for clients
- To provide a framework for sector and company recommendations
- Working with sales and trading to optimise group portfolio of Russian, Ukrainian and other Eastern European equities

## The Candidate

- Educated to degree/post graduate level in economics
- Understanding of markets
- Eastern European experience desirable
- Good communication and presentation skills with the ability to build relationships both internally and externally
- Good Russian, other Eastern European language skills advantageous, but not a requirement.

## 2) ANALYST-OIL, PETROCHEMICAL AND CHEMICAL INDUSTRIES

Russian/Ukraine/Baltics/Central Europe

## The Role

- Develop the regional research capability, liaising with analysts in Russian and Ex-USSR countries
- Primary responsibility for Russia
- Travel to the region and contact with senior officers of corporations.

## The Candidate

- Industry research/consulting experience
- Excellent analytical and organisational skills, probably gained in investment bank
- Regional experience desirable
- Ability to work as a member of a team
- Good Russian

## 3) RESEARCH EDITOR

## The Role

- Format reports for publication
- Liaise with external suppliers
- Sub-edit reports for publication

## The Candidate

- Good DTP Skills
- Ability to write clearly in English and Russian
- Eastern European language skills advantageous but not a requirement.

This is a superb opportunity to work for a market leader with dynamic and non-bureaucratic culture and, for the right candidate, a highly competitive compensation package will be offered, based on a generous basic salary.

If you have the necessary prerequisites, please send a detailed Curriculum Vitae stating current remuneration to the "Russian Investors", Fax: In Moscow - (7 995) 263-3525, or contact: Alexei Golobovitch, Alexei Iskhodskii or Vladimir Alekshin, Svetlana Potolova by phone in Moscow - (7 995) 296-7241.

## FINANCIAL CONTROLLER

c. £35,000-40,000 + Benefits

Due to recent growth and development, a highly motivated individual is required to take responsibility for the company's accounting function and contribute to strategy and future expansion plans.

This exciting opportunity requires a degree educated, qualified accountant with a proven track record to play a key role in the control and development of this growing engineering and related services business.

Reporting to the Managing Director, candidates should have an enthusiastic and proactive approach to finance and demonstrate an understanding of a product led business within a competitive environment.

To apply, please send your CV to:

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Chessington  
Surrey KT9 1LN

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Handwritten signature: J. K. ...







## GEHE AG Head of Corporate Audit

Cheshire/Coventry

c £40,000 + Car + Bens

Our client, GEHE AG is the largest pharmaceutical wholesaler in Europe with a group turnover of DM21.4 billion. Following its recent acquisitions in the UK of AAH plc and Lloyds Chemists plc, it is now the UK's largest pharmaceutical wholesaler and is also the largest operator of retail pharmacies in the UK with a turnover approaching £3 billion.

Due to the integration of AAH and Lloyds Chemists, the Retail Division and the Group Headquarters are relocating their operations in Coventry in summer 1998 and as part of this restructuring the enlarged Group is seeking to appoint a UK Head of Corporate Audit.

This is a crucial, high profile role given the integration that is taking place and will encompass the following responsibilities:

- Manage and develop the Corporate Audit function.
- Using a risk based approach, develop strategy for financial, operational and IT systems.



Michael Page Finance

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London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds  
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

## Chief Administrative Officer

Central London

£100,000+++

Our client is a highly profitable and successful international commodity trading company. The Executive has decided to create a new position, namely Chief Administrative Officer, in order to further enhance the efficiency of the Support Services function, hence improving the quality of service to the 200 strong front office.

The Chief Administrative Officer will head up a team of some 80 staff and will be in charge of the accounting, administration, technology and communications functions. Whilst the role will be London based, the ability to liaise effectively at all levels on a global basis is essential. Ideally you will be a qualified accountant with a minimum of 10 years experience gained within the finance and technology functions of a financial services institution (although experience outside the financial services sector will certainly be considered).

You will also have had a proven track record in managing staff, challenging the status quo and driving change.

This is a crucial position and as such will require a dynamic individual who is well respected and motivated and can lead from the front. For the right individual, this is a great opportunity to make an impact in a company where your achievements will be recognised and rewarded. Remuneration will be based on skills and experience and will not be a limiting factor.

Interested applicants should with their detailed CV to Stephanie Warren at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, or alternatively telephone her on 0171 269 2336.



Michael Page City

International Recruitment Consultants  
London Paris Frankfurt Madrid Hong Kong Singapore Sydney

## DMB&B Group Finance

Frankfurt

DM100-120,000

DMB&B is a leading international media group headquartered in New York. Worldwide billings are in excess of \$5 billion with offices in every world market. The European, Middle Eastern and African operations comprise of multiple subsidiary companies involved in advertising, marketing, media planning/buying and public relations. These subsidiaries report into the European head offices in Frankfurt.

Due to impressive business growth, they now require an additional member of their group finance team. This role has two major aspects: you will be working on the consolidation of the regions results and reporting back to New York. However, crucially you will be expected to analyse the information you are providing, anticipate questions from the US and

provide financial support to operations managers in the individual businesses. It is envisaged that the successful candidate will spend approximately two years in this role at which point internal opportunities will be considered, either in the UK, New York or any of DMB&B's other operations.

Candidates should be qualified accountants with a good academic background and some exposure to group accounting issues. However, it is vital that all candidates should possess the drive, ambition and personality that will allow them to progress a career within this global organisation. Interested applicants should send an up-to-date curriculum vitae (quoting reference 353862), to Mike Deane, Michael Page, Page House, 39-41 Parker Street, London WC2B 5LN.



Michael Page International

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London Paris Amsterdam Düsseldorf Frankfurt Madrid Hong Kong Singapore Sydney Melbourne

## THE NATIONAL GALLERY

Central London

## Head of Finance

c £40,000 + Excellent Pension

The National Gallery houses the nation's collection of Western European paintings. The Gallery's purposes are to keep the pictures safe for future generations, add great pictures to the collection and make it accessible to the public.

The Gallery's annual income is approximately £30 million. About half of this income is generated by commercial activities and fundraising to supplement grants received from the Government.

Based in Trafalgar Square, the Head of Finance has a key role to play in the continued success of the Gallery, through the effective management of its financial policy and strategy. Reporting to the Director of Administration and managing a team of eight, key responsibilities include:

- Defining the Gallery's financial strategy for achieving its aims and managing resources in order to meet the strategy in the most effective manner.

- Formulating and implementing financial policies in line with Government regulations and the Gallery's corporate objectives.
- Leading the process for decision making on funding the Gallery's activities.
- Presenting the financial strategy effectively to Gallery staff and the Government.

The successful candidate will be a qualified accountant with proven strategic ability, highly numerate, an effective communicator and an able manager. Experience of the public or not-for-profit sectors would be of value, but is not essential.

If you are interested in this position, please forward a CV including details of current salary package to Stephen Rutherford, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax: 0171 831 6293.



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## Financial Controller

South West

Package to £40,000

Our client, a subsidiary of a large multi-national manufacturing group has operations worldwide. The company has established itself as the world's leading producer within its specialised field. Throughout Europe and the USA, the name is synonymous with the highest quality and has an unrivalled reputation in the industry.

Export business is in excess of 65% of production and sales in the Middle and Far East are growing. Reporting to the Finance Director, you will work as an integrated part of the management team and will interface heavily with manufacturing. With a proactive and 'hands on' operational style, you will provide sound financial and business advice and direct and develop a small finance team.

Key accountabilities will include monthly reporting, manufacturing

variance analysis and controls, MIS capability enhancements and profit planning.

Experience based in a manufacturing environment is essential. You will be conversant with standard costing systems and will be fully appreciative of all 'shop floor' operational based issues. A proven staff manager, you will be capable of setting clear objectives and measuring performance.

A professional, energetic, self starter, you will be capable of further progression.

Interested candidates should apply in writing enclosing a CV and covering letter, with daytime telephone and current package details to Kathryn Roberts, Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL, quoting ref CIMA.



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## Group Financial Accountant

London

c £35,000 + Car + Benefits

Laura Ashley is a global retailer with a strong presence in both Europe and North America. Their brand is recognised throughout the world and following a period of significant change, they are poised to enjoy sustained growth in their major markets. As a result of internal promotion and continuing business growth, an opportunity has arisen for a high calibre candidate to become Group Financial Accountant.

Working for the Group Financial Controller, the successful applicant will not only be involved with the consolidation of monthly results but will be expected to analyse and interpret this information for presentation to the Board. In addition, the Group Financial Accountant will also play a significant role in the implementation of a new group financial package.

The successful candidate should be a qualified accountant with at least two years post qualification experience and knowledge of JD Edwards. Whilst a retail background would be an advantage, it is not essential.

If you are a lateral thinker and wish to be part of a dynamic international organisation, Laura Ashley offers the chance to join a company committed to personal development with excellent future career opportunities.

If you have the above skills, please forward a comprehensive curriculum vitae, including details of current salary and daytime telephone number, quoting reference 351701, to Simon Bell, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, or fax on 0171 831 2612.



Michael Page Finance

Specialists in Financial Recruitment  
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## PRP Financial Controller

Architects Surrey

c £35,000 + Car Allowance

PRP Architects is a well established and successful organisation, which specialises in housing, healthcare, education and leisure projects. PRP Project Services is a complimentary company that provides project management and surveying skills.

Operating out of their offices based in Hampton Court and central London, PRP has a predominantly blue-chip client base, thus ensuring long term success.

Based at Hampton Court, the Financial Controller is the No 1 finance position within the company and to this end will be responsible for all aspects of the finance department. Primary duties will include the following:

- Participation in contract and fee negotiations with existing and potential clients.
- Development of management information that adds value to the organisation and ensures that project profitability and performance are clearly identified.
- Development and production of key performance indicators.
- Day-to-day management of the finance team.
- Preparation and analysis of monthly management accounts and annual budgets.

This is a particularly commercial facing role which will involve extensive liaison with senior management and external business advisors. The successful candidate will be expected to gain a thorough understanding of PRP's business, particularly the main cost and revenue drivers to ensure that key decision support information will add value to the organisation.

The ideal candidate will be a qualified accountant with considerable experience in industry and commerce, which should include the management of a finance team. A results orientated individual, candidates should possess excellent interpersonal skills and a proven ability to deliver on time. This is a key appointment for PRP and the opportunity exists for the right candidate to progress to a directorship. This is an excellent opportunity for a well motivated and enthusiastic individual to develop a career in a dynamic environment.

Applicants should forward a comprehensive CV, quoting reference 355010, and including current salary details to Alistair Robinson CIMA at Michael Page Finance, Cygnus House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.



Michael Page Finance

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London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds  
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

## EUROPEAN FINANCIAL CONTROLLER

Reading, Berks

c £60,000 + Car + Bonus

Prism Solutions Inc. is a US quoted software organisation, recognised as the market leader in the provision of leading edge data warehouse products and associated consulting services. Their outstanding growth is attributable to key strategic alliances with renowned IT multinationals and the development of revolutionary new products. Following their successes an important position has arisen for a 'hands on' finance professional to add value to their International business.

### THE COMPANY

- Public US Group with operations worldwide
- Impressive record of growth; continual increase in market share
- Envious client portfolio including Barclays Bank plc, Eagle Star, Inland Revenue, Motil and DHL
- Fast moving industry; young and entrepreneurial management team

### THE ROLE

- Reporting to the VP - International, your brief will be to maximise revenue and profits whilst controlling risk
- The full responsibility for finance functions in the UK, Europe, Middle East, Africa and the Far East
- Work closely with Sales and Marketing in the development of new business and contract negotiation
- Liaise with US and external advisors on tax planning and global finance issues

### THE PERSON

- Graduate ACA/CIMA/ACCA or equivalent with 5+ years post-graduate experience
- Distinguished track record of achievement within the software industry is essential
- Commercially driven, sales orientated finance professional
- Team player; ability to work with international senior management in developing future growth of the business

For further information please contact our advising consultants Sharmila Sharon Parekh or Andrew Bost at Executive Match on 0171 872 5544, or write enclosing your CV quoting ref. F1565 to them at the address below.

All direct applications will be forwarded in Executive Match.



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# IT Appointments

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### Principal & Senior Consultants

with experience in:

#### Project Management

You have at least 5 years experience running multi-man-year bespoke developments or package selection/systems integration projects using modern Project Management tools and methods within the financial services industry.

#### Business Analysis

Your profound understanding of the financial services industry will have been gained over a period of 5-8 years developing IT solutions with a leader in Asset Management, Custody, Securities Trading & Processing, Investment Banking or Life & Pensions.

#### Systems Integration

You have specialist understanding in areas such as interfaces, data integrity and security, application and infrastructure performance and tuning, software configuration management, and supplier management gained in a sophisticated financial services environment.

#### Software Development

You are an accomplished practitioner in the use of PowerBuilder, C++ or VB5, maybe with team leading experience for large scale developments ideally but not necessarily in the financial services sector.

We offer an attractive remuneration package including equity participation and provide an excellent environment for personal development.

In the first instance please contact our retained consultants, quoting reference DA/5. Vice Poterion Limited, Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 3AB. Tel: 0171-955 0900. Fax: 0171-955 0901.

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Three groups of people stand to benefit from our radical, outside-in approach to information technology. Our clients will enjoy greater power and flexibility to take decisions and manage their exposure to risk. Our traders will have the tools they need to exploit every opportunity as it happens.

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Our spec. is as demanding as the roles themselves. We're looking for people who've been there, done it (invariably against long odds and equally long hours) and implemented several generations of major projects in financial derivatives - systems that have made not just good logic but serious money. Your financial knowledge and technical skill, and your ability to communicate both, will have made your advice and leadership sought in any team you've worked in - so even in management roles like these, you'll be inspiring more than controlling, and still contributing at the technical level.

With that kind of approach, you'll welcome the close involvement with the traders who'll be looking to you to help them manage risk that can fluctuate wildly from one minute to the next.

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You'd join us in plenty of time to put your own personal stamp on the projects you'd handle. You'd work with the very latest technology, without so much as a trace of a legacy system to hold you back. You'd also work with some exceptionally able people in every function and at every level. And while you'll be working in the City at probably the most exciting time since the 80's, you'll be implementing systems whose impact will be truly global.

Send your c.v., quoting Ref. FT02, to Sarah Nelson, Kleinwort Benson Limited, PO Box 560, 20 Fenchurch Street, London EC3P 3DE. Fax: 0171 956 8464. E-mail: nelsons@kben.co.uk

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## NetWorks

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### ACCOUNTANCY APPOINTMENTS

## Finance Analyst

c. £45,000 & Car  
West London

This is a corporate centre financial analysis role incorporating the Corporate Finance and Treasury work of a very active multi-divisional UK plc which is developing its businesses internationally by various forms of organic development, joint venture and acquisition.

These developments give rise to a challenging variety of issues and create a very busy environment for a lively but compact Headquarters team.

To strengthen the team the Head of Corporate Finance wishes to recruit a Graduate Chartered Accountant with approximately 3 years relevant past qualification experience gained either in transaction support work within the profession or in a related role in commerce. Some treasury related experience/exposure would be an advantage.

The role calls for a confident pro-active team player with good interpersonal and negotiating skills and the intellectual ability to pick up new situations quickly. Identify the central issue and deliver a well crafted prompt solution. A good academic record and above average professional experience are important basic requirements.

Please reply in confidence quoting reference L633 to:-

Brian Mason  
Mason & Nurse Associates  
1 Lancaster Place, Strand  
London WC2E 7EB  
Tel: 0171-240 7805

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Selection and Search



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## PLC Group Financial Accountant

c. £45,000 & car

Our client is a FTSE 500 plc., headquartered in West London, with International Subsidiaries and Joint ventures in the USA, Europe, the Far East and Australasia.

They now wish to appoint a Group Financial Accountant who will take responsibility for all Statutory Accounting and the underlying reporting and systems; the Corporate Legal Structures including an input to the taxation issues; balance sheet reviews; and the development of corporate policies. A major aspect of the role will be project managing the introduction of a new suite of accounting systems.

This is a challenging role with considerable scope for personal and technical development and the achievement of a good range of identifiable goals.

Candidates should be Graduate Chartered Accountants with Big 6 Audit training followed by specific systems exposure within commerce or on secondment to consultancy or IT Departments within the profession. Strong relevant technical skills are required for the immediate role and as a platform for promotion to a more commercially orientated Controller type position within the business or on alternative position of H/O which should be achieved within 3 years.

Age guideline 28 - 32 years.

Please reply in confidence quoting ref: L634 to

Brian Mason  
Mason & Nurse Associates  
1 Lancaster Place, Strand  
London WC2E 7EB  
Tel: 0171-240 7805

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مكتبة



## IT Appointments

### Project Manager – Front Office Development



#### Threadneedle

#### Excellent Salary & City Benefits Package

Threadneedle Asset Management is a rapidly expanding global investment management house with £31bn\* under management. The company currently manages a variety of funds including Institutional Pension Funds, Unit Trusts and Offshore Funds. Their aim is to become a market leader in global asset management. To help achieve this, the company has expanded over recent years, providing a quality investment service with excellent investment results. As part of this ongoing expansion, the need for development within the technology division has been recognised.

A new position has opened within the IS group in London for a project manager in the front office.

#### You should have:

- experience of all aspects of fund management or securities operations.
- knowledge of the investment process.
- proven success in the development of systems for short, medium and long term gains, aligned to business planning.
- excellent technical skills gained through career progression from a systems analyst background, ideally within fund management.
- first hand experience in controlling the planning and delivery of front end operational projects.
- customer focused, pro-active approach with strong communication skills.
- ability to motivate others, work on own initiative and to contribute as part of a team.
- ability to gain the confidence of Senior Management.
- a good degree in a numerate discipline; a professional qualification is desirable but not a pre-requisite.

#### Technical requirements:

- Reuters (Triarch), Bloomberg, Preview, MS-Office, Visual Basic, SQL and Sybase skills.

You will receive a highly competitive remuneration package, technical and management development training in a challenging operating environment.

\*as at 31 December 1996.

If you fit the above criteria please send your cv to:

Edward Hunter Blair at Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

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### Recruitment

The FT IT Recruitment section is also available all week on [www.FT.com](http://www.FT.com)

### Information Technology - Equities

## A Bigger Share of International Roll-Outs

#### Business Analysts

Deutsche Morgan Grenfell, the investment banking arm of Deutsche Bank, serves over 8 million customers in 44 countries. With our global equity business continuously expanding and impacting heavily on the organisation, we are investing in the very latest technology and the very best people to support our front and middle office operations.

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Four commercially-focused team players are sought for project-based opportunities in Equities, Derivatives, Convertibles Trading and Order Management - plus a senior supervisory role in the latter area. In each case you will be educated to degree level, with previous exposure to investment banking, particularly in one of these areas.

Knowledge of basic office automation products and MS Project is required, whilst you should ideally be familiar with Reuters, Unix (especially AIX), Oracle/Sybase, structured methods and CASE tools. A second language will also be an advantage and the willingness to travel is essential.

London  
June  
1997

These positions, based in the City, promise outstanding career development prospects in the UK and overseas, with remuneration and benefits packages that will not prove a building factor to the ideal candidates. To apply, write with full career details, quoting reference FT/4, to: James Kelly, Director, Maxwell Jemison Associates, 150 Minorities, London EC3N 1LS. Tel: 0171 264 2264. Fax: 0171 264 2265.

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## DERIVATIVES ANALYST DEVELOPER

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Our client is one of the United States' largest Global Investment Banks and Securities Trading and brokerage firms. It offers a full range of activities including Equity, Fixed Income, Mergers & Acquisitions, Corporate Banking, Asset Management and Securities Services. They are committed to financial innovation and independent thinking and integral to this is their thorough understanding of market dynamics.

A position has arisen for an Analyst-Developer to work across the Fixed Income, FX and Equities Trading Floor. Your brief will be:

- To examine the integration of new Exotic FX Option Products into a Unit based trading and Risk Reporting system.
- Working closely with the Quantitative Analysts, implementing derivatives pricing models in C/C++.
- Providing template building and specialist spreadsheet support to the traders.

Ideally, you should possess the following attributes:

- Excellent knowledge of Fixed Income, FX, Equities or associated Derivates Markets.
- C/C++ and SQL (Sybase) programming skills.
- Knowledge of Unix and Windows programming.
- Numerate with demonstrated analytical abilities.

If you currently work within the Investment Banking arena and are seeking a fresh challenge and an environment where success is highly regarded, please contact our retained consultants.

If you are interested in the  
above positions, please contact  
either Louise Williams  
or Eleanor Collins  
Quoting Ref 0013



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17 St Helens Place, London EC3A 6DE

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## INVESTMENT BANKING

Our client is one of the world's leading independent providers of information services. This multi-billion dollar global corporation is a Leader in technology consulting, system design, integration and management and is a pioneer in outsourcing. Due to acquiring a seven year contract with a Leading Investment Bank, areas have been identified where additional expertise is required.

### BUSINESS CONTINUITY ANALYST (REF 60)

Liaising extensively with Senior Managers within the bank in the development and maintenance of their business continuity plans.

Supporting the annual test programs while dealing extensively with the contingency technology groups on new business requirements and business continuity test activities.

#### Desired knowledge:

- Business continuity and analysis skills
- Financial services experience
- Microsoft Windows and related products.

### CHANGE MANAGEMENT ANALYST (REF 61)

Working as a member of the European Change Management group. Taking a leading role in the co-ordination of changes to the technical environment, supporting the European business and the implementation of Change Management Systems and tools.

#### Desired knowledge:

- Broad based technical knowledge gained in operations, operations analysis or technical support.
- Use and administration of Change Management tools.
- Experience in the design and implementation of Change Management Systems will be useful.

Please contact Fred Banfield  
Tel: 0171 325 7157  
Fax: 0171 325 7101  
Eves: 01268 766870  
Please quote a reference



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## IT OPPORTUNITIES AT SWISS RE

London c.£40,000 - £65,000 + car + benefits

### Swiss Re



The Swiss Re Group is one of the leading reinsurers in the world and is active in all major reinsurance markets. A recent Group restructuring has led to the development of its Life & Health Business which will operate from a new Global Head Office to be based in central London. This has led to the need to make three key, senior IT appointments. All three roles report directly to the Head of UK IT and provide excellent opportunities to coach, mentor and develop a new IT department.

#### Life & Health Business Systems Manager

##### Key Responsibilities:

- lead the team in the provision of business systems for all aspects of the Life & Health Business
- partner with the business in all aspects of systems development to deliver systems that really address the needs of the business and our clients
- participate in the management of UK IT
- share and co-ordinate resources across all development teams and group projects.

##### Expertise:

- in-depth insurance or reinsurance industry background
- client/server experience an asset
- full knowledge of system development life cycles
- proven project leading/management skills
- strong interpersonal skills. Ref: SWR101A/DRW/FT.

#### Systems Development Manager Finance, Valuation & HR

##### Key Responsibilities:

- lead the team in the provision of systems to Finance, Product Development, Valuation and HR
- partner with the business in all aspects of systems development to deliver systems that really address the needs of the business and our clients
- participate in the management of UK IT
- share and co-ordinate resources across all development teams and group projects.

##### Expertise:

- finance, insurance or reinsurance background
- client/server experience an asset
- full knowledge of system development life cycles
- proven project leading/management skills
- strong interpersonal skills. Ref: SWR101B/DRW/FT.

#### IT Development Standards Leader

##### Key Responsibilities:

- establish and evolve best practice development standards on all platforms and ensure they are applied appropriately
- take responsibility for the provision of a Systems Development Life Cycle
- responsible for Project Management methods
- provide QA on development projects and quality assessments on the structure and development standards in IT
- provide and co-ordinate systems development training.

##### Expertise:

- experience in all aspects of systems development
- thorough understanding of structured methodologies
- training/coaching skills in standards and methodologies
- excellent communicator. Ref: SWR101C/DRW/FT.

In the first instance, please send a letter and/or quoting the appropriate reference and outlining current remuneration, with a paragraph addressing each of the points above, to our advising consultant David Walder, Executive Search and Selection, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR.



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With opportunities in Birmingham, London, Leeds and Manchester, we seek people who welcome challenges and enjoy continually having their skills stretched and developed. The work is very diverse and broad ranging, providing the opportunity to operate within different industry sectors and different sizes of company, each with their own unique structure and culture.

Of graduate calibre, maybe with an MBA, you are either a professionally trained finance manager or have a strong commercial line management background. With excellent interpersonal skills and experience of working at senior levels, you'll need to have a highly professional approach to strategic and operational issues.

If you think you are one of these exceptional people this could be the opportunity you've been waiting for. A chance to join an ambitious management consultancy which can offer you extensive personal growth and development, where your own achievements will be recognised and rewarded. You can grow with us and make a difference at the leading edge of consultancy in the UK and worldwide.

Please write with full career and salary details, quoting reference B/633/97 to Chris Paling, KPMG Selection & Search, 2 Cornwall Street, Birmingham B3 2DL. Any preference for location should be clearly marked on your application.

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- take a pivotal role in developing the company's commercial strategy
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- implement tight financial controls

You are a qualified accountant who applies an innovative approach to business problems. You possess a proven track record of managing significant change programmes, probably gained in "Blue Chip" manufacturing environments, plus highly developed analytical and organisational skills. You need to be a team player, tough minded but still able to work closely with colleagues through excellent communication and influencing skills. Integrity, gravitas, confidence and personal energy are pre-requisites.

Please write enclosing a CV, current salary and a number where we can contact you to Sam Seager, at the address below.



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### The Position

This is an exciting opportunity for a qualified accountant to join a very dynamic business. The primary focus of the role will be to produce effective management information for the Global Journals Executive Team. Being responsible for the production and analysis of financial trends, gross margins and other key cost drivers, the Planning and Analysis Manager will contribute to the strategic decision making process, through the preparation of reports, forecasts, budgets and commentaries for the Management Board.

Additional responsibilities will encompass capital expenditure, investment proposals and pricing analysis/modelling. There will also be occasional travel to the US operation to enable the production of UK and US operational reports. Managing a small team, you will also be involved in the leadership, training and development of your staff.

### The Person

A qualified accountant, preferably ACA/CIMA, with a minimum of 4/5 years commercial experience, you will have experience of working within a large company. Exposure to high volume accounting systems and financial modelling is essential. You will ideally have gained your post qualification experience within a commercial management accounting environment and be at the right stage of your career to embark on a high profile, senior management role.

A high level of initiative and self-motivation is key, together with strong interpersonal skills, to be able to work effectively with and present to the senior management team.

For further information, please contact Karen Maddox, quoting reference KM/C011

6 Worcester Street

Gloucester City

Oxford OX1 2BX

Telephone: 01865 202066

Fax: 01865 202033

Any CVs sent directly to Blackwell's will be forwarded to Nigel Lynn Associates.

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Due to their on-going philosophy of personal development, opportunities have arisen to join the organisation's Group Management Reporting team within Group Finance, which provides high level financial and product information, analysis and support to senior management and operating companies worldwide.

### Systems Development Accountant

c.£40,000 + BENEFITS

In recognition of a significant dependency on the evolution of core systems and also of the increasing potential for IT based solutions to enhance all areas of the department's work, a new role is being created.

A strong accountant with a keen interest in systems development and experience to match, you will support all areas of the team, providing the principal interface with the department's IT support. While maintaining current systems integrity, you will be responsible for identifying, initiating and driving through opportunities for new and enhanced systems solutions to the department's current workload and objectives. This will require close liaison with both customers and technical teams to specify requirements and plan, co-ordinate development and implement business focused solutions.

You should be a qualified accountant, educated to degree level, with a sound technical accounting background and

at least a year's POE gained within a large organisation. A strong base of IT knowledge is vital, with experience of large database and multi-currency consolidations. You should also have excellent planning and communication skills and the experience to initiate and co-ordinate large scale systems developments.

### Financial Analysts

c.£35,000 + BENEFITS

An opportunity has arisen for two recently qualified accountants to join the team responsible for all aspects of the collection, consolidation, analysis and management reporting of a wide range of historic and forecast business performance information. Responsibilities will include the regular support of designated operating companies across all areas of the department's work.

The first role is within the area responsible for all aspects of financial and product data collection from operating companies and its effective consolidation and interpretation. This provides a fundamental platform for the group's internal and external reporting and decision-

making. The second role is within the reporting area, involving the analysis, interpretation and reporting of management information to senior group and regional management.

Degree qualified, you should be highly numerate, with excellent spreadsheet skills, commercial acumen and the ability to handle and interpret a high level of complex data within tight reporting deadlines.

These are exciting opportunities to join a key area within Group Finance. There will be excellent opportunities for career and professional development, together with the attractive salary and benefits package associated with a prominent blue chip name. To apply, please call Jackie Hayden at Gallup Selection on 01932 828428, Office hours 9.00am - 5.30pm, Monday to Friday. Closing date: 26 June 1997.

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## Financial Controller



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Reporting to, and working closely with the Head of Finance you will assume responsibility for the full spectrum of financial management and control. You will lead and motivate a large finance function to meet the increasingly demanding and sophisticated requirements of a rapidly evolving business, drive the development of financial and management reports and play a key role in the development of process improvements. Providing an informed commercial perspective on a broad range of operational and strategic

issues you will also manage the substantial programme of capital investment and the analysis of revenue and costs.

To be considered you will be a Graduate Qualified Accountant with a robust personality and high levels of energy and drive. Your track record should demonstrate good attention to detail and commercial acumen gained within a fast paced, marketing led environment.

Interested candidates should forward a curriculum vitae, including daytime telephone number and current salary details to: Sally Touni, Director, Stark Brooks Associates, 2nd Floor, St James's Buildings, Oxford Street, Manchester M1 6FO to arrive no later than Thursday, 28 June 1997.

This appointment is being handled exclusively by our advising consultants Stark Brooks Associates and only applications made directly to them will be considered.

Financial Recruitment Consultants

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